

Battle on budget for EEC research

Fighting resumes in S. African squatter camp

BY PATTI WALDMER IN CAPE TOWN

BLACK vigilantes apparently aided by South African police and troops, yesterday gained control of part of the giant Crossroads squatter complex near Cape Town in the second day of fierce fighting in the area.

Three journalists were injured, one seriously, and numerous residents were hurt in clashes between conservative vigilantes and gun-battle-hardened comrades at the KTC squatter camp where at least 10 people died on Monday.

It was not known immediately how many more had died yesterday, as gunbattles kept relief workers out of the area for most of the day.

Plumes of black smoke several hundred metres high filled the sky over the camp, which officially housed some 47,000 people but recently had become home to many thousands of refugees from the three new Crossroads communities destroyed in fighting between rival groups three weeks ago.

Eye-witnesses said vigilantes had set fire to hundreds of closely-packed shacks left standing after Monday's fighting. They said the so-called *witdoeke* vigilantes, named after the white rags they wear around their arms or heads, moved into the area after arming themselves with weapons from the South African security forces had chased out several thousand comrades who were defending it with a wide range of makeshift weapons.

Residents were seen fleeing their homes as police and army fired numerous rounds of teargas. Automatic gunfire could also be heard.

A cameraman for Independent Television News was in serious condition in hospital yesterday after being attacked with hatchets by vigilantes and two other journalists were shot.

S. Korea checks for distortions in Japan book

SOUTH KOREA will demand changes in a proposed history book for Japanese schools if it finds the work distorts the truth about Japan's record in Korea, Foreign Ministry officials said yesterday, Kenter reports from Seoul.

The officials said the ministry was carefully studying the book's portrayal of past Korean-Japanese relations, especially its account of Japan's 1910-1945 occupation of the peninsula.

"We will ask Japan for changes if we find references that distort facts," one official said.

China has already demanded changes in the textbook, saying it distorts facts by glossing over atrocities committed in that country under Japanese occupation prior to and during the Second World War.

The book avoids the word "aggression" in describing Japan's military activities during its 1937-45 war in China. It says the facts of the 1937 Nanking Massacre, in which Japanese soldiers killed thousands of Chinese civilians were still under debate.

Robert Thomson in Peking adds: China has stepped up criticism of the Japanese Government for allowing education authorities to approve a history text the Chinese say "grossly distorts" Japanese aggression during the war.

The Chinese Foreign Ministry has delivered a terse protest note to the Japanese Embassy in Peking demanding that the high school text be corrected in the interests of safeguarding relations between the two countries.

China has been particularly irritated by the book's apparent attempt to play down Japanese aggression by referring to the Asian war as an attempt to "liberate Asia from the rule of European and American powers to build a greater East Asia co-prosperity sphere."

A Japanese Embassy official said the textbook has not received final approval and its premature release for China to demand that action be taken to correct the alleged mistakes.

Sudan premier cancels key visit to troubled south

BY OUR CORRESPONDENT IN JUBA

SUDAN'S Prime Minister, Mr. Sadiq al Mahdi, has called off a visit to the troubled southern region in the face of the recent escalation in the country's three-year civil war.

The British Embassy in Khartoum last week evacuated all non-essential staff from the southern town of Juba, which has come under increased threat from the Ethiopian backed rebel Sudan Peoples Liberation Army (SPLA).

This followed earlier reports in the official Sudan News Agency of a rebel attack on a children's hospital in the town.

The deteriorating security situation in the largely non-Muslim south, where fighting has already cut vital road, rail and river links, must now raise

Lee cautions Singapore as index surges

By Chris Sherwell in Singapore

Singapore's straggling stock market yesterday surged to its highest level since the collapse of Pan-Electric Industries last November, which closed the market for three days and prompted a crash in price.

But analysts are deeply puzzled by the recent strong performance, which coincides with warnings from Mr Lee Kuan Yew, the Prime Minister, and his son, Trade and Industry chief General Lee Hsien Loong, not to be misled by signs of recovery in the island state's economy.

Yesterday the widely-watched Straits Times Index of 20 industrial stocks pushed through the psychological 700 barrier to finish at 712.12, up 20.26 points on a healthy volume of 27m shares traded.

The rise took the market's advance to almost 122 points since May 20 — only 13 trading days. The index broke through the 600 mark on May 22.

Analysts said the improvement was a response to buoyant local sentiment. Flows of foreign investors' money into the market were "insignificant," according to one broker.

Encouragement was apparently being drawn from signs of a pick-up in Singapore's all-important oil refining business and its electronics sector.

Speaking to students yesterday, however, Gen Lee repeated his father's warnings of a week ago to be cautious in interpreting the signs of a recovery. The outlook, he said, was bleaker than it seemed and unemployment, already at a 17-year high, would rise further.

Prime Minister Lee, speaking in his constituency at the beginning of the month, said Singaporeans would face the real test when signs of an upturn appeared. If unions then pressed for wage increases, he said, the country's reputation for realism and self-discipline might be thrown away.

Australia's electorate will be asked today to accept a fall in living standards. Emilia Tagaza reports

Advantage Howard as Hawke faces the shots

THE NEXT two weeks could prove decisive for the political survival of Mr Bob Hawke, the Australian Prime Minister, as he sets about the task of bailing his country out of its worst economic crisis for decades.

Mr Hawke, carrying the burden of his considerable reputation as a problem-solver, will go on nationwide television today and ask Australians to make unprecedented sacrifices. He will use his raw charm and persuasive powers to convince his electorate that, after years of sustained high growth rates, they must accept a fall in living standards if the present crisis is to be overcome.

What is at stake is not just Australia's economic well-being but also Mr Hawke's future. From being one of the most popular Prime Ministers in Australian history, Mr Hawke's standing in the country's usually reliable opinion polls is slipping steadily while that of Mr John Howard, the opposition leader, is rising.

Mr Hawke faces the cameras today with an economy which contracted by 0.1 per cent in the first quarter of this year and by a similar amount in the last quarter of 1985. These gloomy figures compare with 7 per cent growth in 1984 and around 5 per cent for 1985 as a whole.

The seriousness of the situation was underscored recently by the Federal Treasurer, Mr Paul Keating, who warned that Australia could drift into



Keating (left) and Hawke... the rift in the partnership has been papered over

becoming a banana republic if tough measures were not taken immediately.

The whiff of panic which his remarks precipitated led to an open disagreement between Mr Hawke and Mr Keating. Mr Keating wants tough measures which take little account of the Government's popularity such as further wage restraint, drastic cuts in public spending and delays in promised income tax cuts and productivity-related pay increases.

Mr Hawke was more cautious in the debates which preceded today's statement, gauging the political cost of the Keating prescription. The rift has now been papered over, but Australians will watch eagle-eyed how the Hawke-Keating partnership handles the economy in the run-up to the next election which must be held by 1988.

Mr Hawke's past successes have been based on a skilful combination of budget management, helpful wage accords with Australia's reasonably accommodating unions and heavy foreign borrowing undertaken in the hope that export earnings would help finance repayments.

Australia now faces problems not dissimilar to those confronting many third world countries — hence Mr Keating's provocative reference to banana republics. Commodity exports, on which it relies heavily, are no longer adequate to meet external payments while the coddled manufacturing sector is

servicing now stands at 33.6 per cent of exports.

Mr Hawke will first seek the help of the unions, his electoral base. The Government's wage accord with unions, the centrepiece of its growth strategy, has so far restrained wages. Under the accord, wages are fully indexed for rises in inflation.

In August last year, when the economy was still recovering from the 20 per cent depreciation in the Australian dollar, the unions were persuaded to accept a lower indexed-pay increase. The Government achieved this by offering a \$32bn income tax cut promised for September this year and a 3 per cent productivity pay rise in the form of a superannuation fund to be shouldered by employers.

Mr Hawke needs another effective wage cut but this time has no carrots to offer. The powerful Australian Council of Trade Unions (ACTU), has declared that workers have made enough sacrifices and that the most it would accept this time are delays in the promised tax cuts and superannuation funds.

Private business is the second group that Mr Hawke will have to square. He will ask for higher investment and price control and possibly exhort them to accept lower executive salaries. Last week he was told that the trade-offs the business sector wants in exchange for higher investments are a moderation in the Government's tight interest rate policy and a promise that unions' wage demands will be controlled.

Mr Hawke's economic team is one of the few Labour Governments with which the business community had been comfortable, at least in the earlier part of its term. Its deregulation of the financial and foreign exchange markets and its prudent monetary and budget management made it a welcome surprise to private business.

But relations started souring after the Government made the wage discounting deal with the unions at the cost of an employer-funded superannuation programme. Mr Hawke was seen as a hostage of the unions.

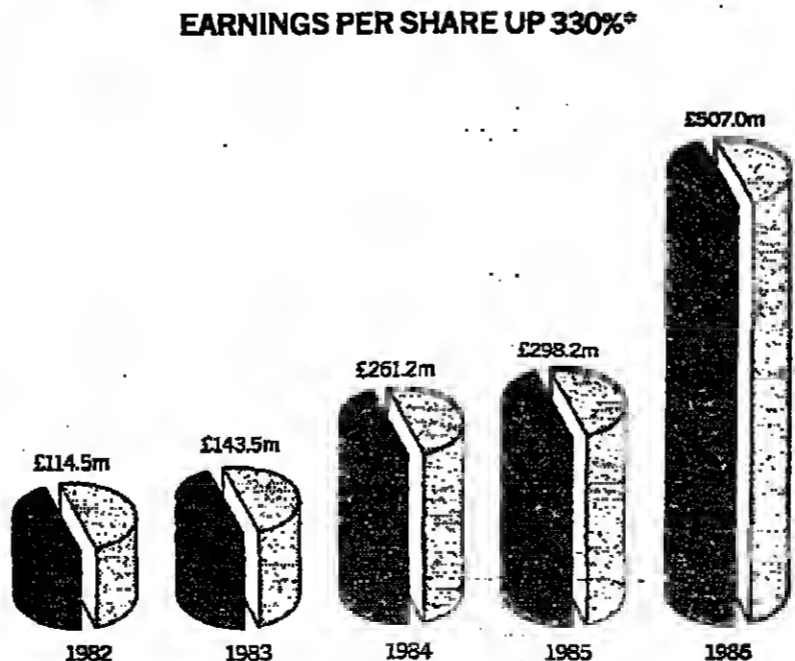
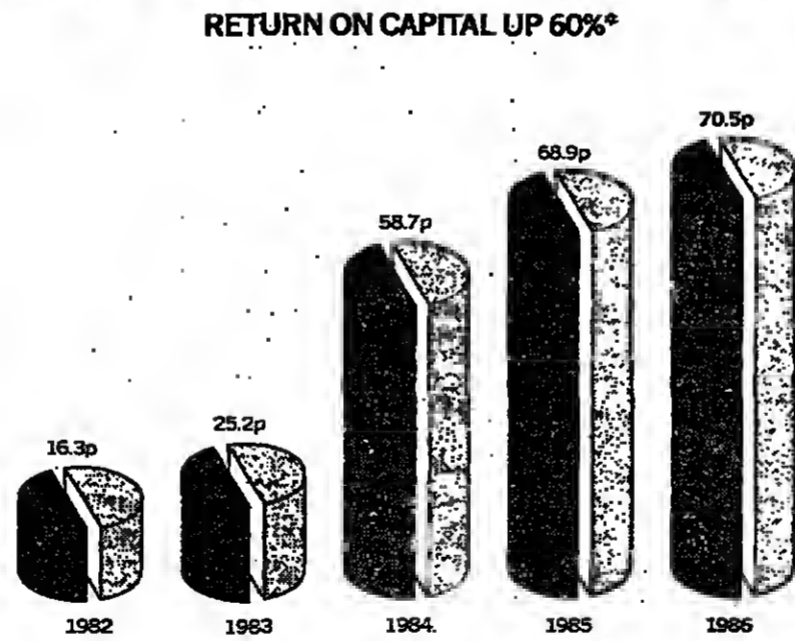
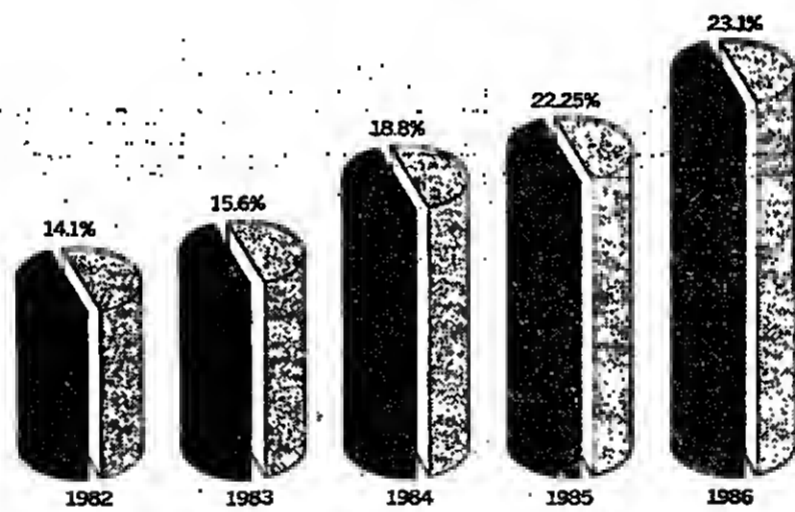
With only 18 months to the next election Mr Hawke is in danger of losing his advantage to Mr Howard. The Australian leader may be prepared to go down the Keating road and depress the economy further — sacrificing his treasured achievement of 540,000 new jobs created since coming to office — in order to set Australia back onto the high road of economic growth. He may, on the other hand, go for a softer option such as an import surcharge on consumer goods to reduce the current account deficit.

Mr Hawke's problems could yet turn into an advantage. Australians admire his toughness. By appearing fearless and decisive in this crisis he could score some considerable political points.

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Net borrowings	45.5	33.0
Earnings per £1 stock unit	70.5p	68.9p
Dividend - net	19.0p	17.25p
Return on capital employed	23.1%	22.5%

Abridged figures from the 1986 Annual Report

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AMERICAN NEWS

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Big business fights bill on tobacco advertising

By Reginald Dale, US Editor in Washington

A COALITION of big business and liberal constitutionalists is mobilising to fight legislation introduced in the US House of Representatives this week that would ban all promotion and advertising of tobacco products.

The bill, introduced by Mr Mike Synar, an Oklahoma Democrat, with six co-sponsors, would implement a recommendation made in December by the American Medical Association. It would cover all forms of tobacco, including cigarettes, cigars, pipe tobacco, snuff and chewing tobacco.

The tobacco, advertising, magazine and newspaper industries all contend that the bill violates the constitution by restricting freedom of speech and expression guaranteed under the First Amendment. They are supported by liberal groups like the American Civil Liberties Union.

Tobacco advertising has been prohibited on American radio and television since 1971. The bill would ban all other forms of promotion, including newspaper, magazine and billboard advertising, shop display premiums and free samples, and would forbid tobacco companies from sponsoring athletic or artistic events under a brand name.

Mr Synar acknowledges that the constitutional issue is a real one, but argues that if the right to commercial free speech is not absolute.

Mr Synar concedes that given the strength of the opposition and the short time remaining in the current Congressional session, his bill is unlikely to pass this year.

Anti-drugs campaign to be mounted

THE US advertising industry is to launch a \$1.5bn campaign, to discourage Americans from abusing drugs.

The undertaking by the Association of American Advertising Agencies (AAAA) would be the largest voluntary advertising campaign in US history. It will involve television, radio, magazine, newspaper and advertising companies.

Congress shuttle probe starts

By Nancy Dunne in Washington

MR WILLIAM ROGERS, chairman of the presidential commission investigating the Challenger space shuttle disaster, told Congress yesterday that "serious mistakes had been made in the US space programme and that it was now up to Congress to determine future policy."

Speaking as Congress began its own investigation of the disaster, Mr Rogers said: "Serious mistakes were made. There were failures... you may find others we haven't discovered but I doubt it."

"The problem the nation faces is what to do from now on. Where do we go from here?"

While the commission, in its report on the disaster and in comments to the press yesterday, seems anxious to soft-pedal the harsh realities of troubles at NASA, members of the House seem likely to be tougher on the embattled agency.

"Some members talked of the 'arrogance' which grew up in NASA over the years; one questioned the possibility of prosecuting Morton Thiokol, maker of the booster rockets, for its 'negligence' in allowing the shuttle to fly on January 28."

Representative Manuel Lujan, a Mexican republican, praised the commission for its work. However, he said, the task of Congress ahead is "to draw our own independent conclusions... Should we find evidence on mismanagement, poor judgment or even negligence, we must take appropriate action."

Mr James Fletcher, the new NASA administrator, has been busy assuring the nation that the commission's recommendations on safety will be heeded. Appearing on a television morning news show yesterday, he was asked if setting a July 1987 target for a shuttle launch might not put the agency on new pressures.

"It won't happen under my watch," he said. "We're not going to fly until it's safe, whether it's July, August, September or even July 1988."

Mr Fletcher said a master plan was emerging on NASA's future and it would include more unmanned space flights. "It is apparent now that you need a mixed fleet," he said.

Mr Fletcher said that several of the commission's recommendations are already being implemented, including establishment of independent review boards, review of critical safety systems and studies of how the agency can improve its management policies and internal communications.

States put pressure on insurers to cut rates

By William Hall in New York

THE US insurance industry is facing growing pressure from state governments to reduce insurance premiums, or at least limit rate increases, in return for the reform local tort laws which have often led to skyrocketing awards against insurance companies.

US insurance companies have blamed the sharp rise in insurance premiums and the reduced availability of coverage on weak insurance cover on weak tort laws in the US civil justice system and have been campaigning vigorously for its reform.

The movement to seek concessions from the insurance companies has been highlighted by the recent passage of a Florida law which will temporarily cut insurance premiums by 40 per cent and will permit local officials to reject future premium increases in return for reform of local tort laws.

This is believed to be the first time that the enactment of tort reform has been coupled with a restriction on insurance premium rates and the law has come under heavy fire from several US insurance companies who say they will no longer do business in Florida, the sixth largest insurance market in the US.

Mr William McCormick, chief executive of Fireman's Fund Insurance Company, describes Florida's move as a disaster and says that if the idea spreads to other states, "it would be a catastrophe."

Several major states such as California, New York, Illinois, Ohio and Pennsylvania are studying ways of reducing tort laws and considering curbs on insurance companies.

Florida's move has been welcomed by the National Insurance Consumers' Organisation, a public interest group. Mr Jay Angoff, a lawyer with the organisation, says that "It is a fair trade-off to limit the amounts people can recover in insurance cases in exchange for lower insurance rates." He says he does not know how a state can consider tort law reform without insisting on a quid pro quo from the insurance companies.

The Florida law, which is expected to be approved by Governor Bob Graham shortly, freezes current insurance premiums until October 1 and then reduces them by 40 per cent until the end of the year.

Companies will then have to file for new rates for 1987 and will have to prove why rates should not be cut further. In return the Florida law puts a cap on non-economic jury awards and also repeals the doctrine of "joint and several liability" which allows a victim to collect damages from one party in a lawsuit if the other is unable to pay.

© In another move to increase the availability of commercial liability insurance, 66 major companies have invested \$35m in Exel, a new Cayman Islands insurance company, which will provide liability coverage to the corporate investors.

US oil rig count falls

Oil drilling in the US continues to sag, and the weekly rig count has hit another post-second-world war low, AP reports from Houston, Texas.

The number of active rigs fell by 37 to 686 in the week ended Monday, according to the Hughes Tool Company Rig Count, the industry gauge for drilling in the US. Since May, the rig count has dipped below the Second World War low of 805 rigs in April 1943.

US eases hard line on Mexico's debt problems

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE Reagan Administration yesterday went out of its way to demonstrate sympathy and understanding for the economic problems now facing Mexico in coping with the plunge of oil prices and servicing its \$97bn (\$84.6bn) foreign debt.

In an apparent change of tack, Mr David Mulford, Assistant Treasury Secretary, told a Senate foreign relations subcommittee in Washington: "When it comes to Mexico there is a tendency to be quick with criticism and cautious with praise. Patience, objectivity and sound judgment are of the utmost importance at this juncture."

Previous Administration statements on Mexico have tended to incorporate tough calls for more effort on economic adjustment, but bankers said they detected a conciliatory tone in Mr Mulford's remarks designed to discourage Mexico from taking radical unilateral action on its debts and help it reach agreement with the International Monetary Fund on a new economic policy programme.

Mr Mulford said most of Mexico's problems stemmed from the fall in oil prices which was "not only economically painful, but politically demoralising." He said Mexico accepted that it would have to absorb most of the impact within its domestic economy and was still seeking only \$5bn to \$6bn in external finance this year, about the same as before the oil price drop.

This would cause the economy to shrink by some 3 to 4 per cent in 1986, while inflation had accelerated to an annual rate of 85 per cent compared with 64 per cent last year, partly because domestic savings are in-

sufficient to finance the Government's deficit, which has been swollen by a shortfall in oil revenues.

He said he hoped Mexico could soon reach agreement with the IMF, though he gave no indication that such an agreement was imminent. He also said he knew of short term plans for negotiations between US and Mexican officials.

Interest payments on Mexico foreign debt are now beginning to prove a serious drain on foreign exchange reserves as bankers believe it now faces its last chance of reaching an agreement that could open the way to a broader debt rescheduling package.

But they said there was considerable scepticism on whether such an agreement was possible. Indeed the tone of Mr Mulford's remarks could be seen as indicating a new level of concern in the Administration, they said.

One problem is that Mexico budget deficit is now rising towards 13 per cent of gross domestic product, well above earlier Mexican estimates of 10 per cent. The IMF has been calling on Mexico to reduce its deficit to 5 per cent of gross domestic product.

While some commentators have suggested that Mexico would wait until the end of the World Cup on June 29 before announcing any new economic measures, bankers believe that the country's problems are so much too urgent.

The next week to 10 days could prove critical, they said adding that they are still reluctantly opposed to concession such as the granting of loans below market rates.

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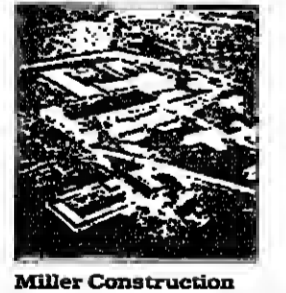


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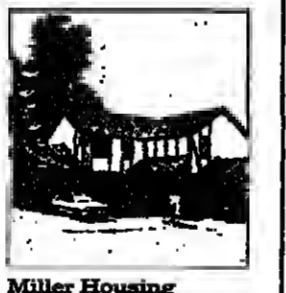
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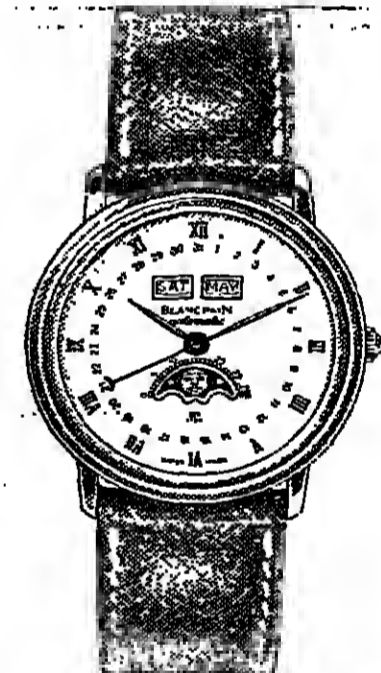


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Czechs seek joint ventures with West

By Christian Tyler, Trade Editor
CZECHOSLOVAKIA is negotiating for about eight industrial joint venture projects with Western partners as part of a programme to modernise its industry, according to Mr Bohumil Urban, minister of foreign trade.

Speaking in London during a five-day visit, Mr Urban said discussions in the UK involved Rank-Xerox, Gillette, Kodak, and Bush Boake Allen, the flavourings manufacturer.

It was hoped to set up joint ventures in the fields of electrical engineering, machinery, chemicals and food processing.

Areas already identified by the Czechs for this form of technology transfer include machine tool manufacture, tractor production and tourism.

Mr Urban said joint venture rules were now published, following a government decision six months ago. Czechoslovakia started opening its borders to foreign investment in its industries only last summer.

Meanwhile, the country's purchases of Western plant and equipment would double in value terms over the next five years to about \$5bn (£3.5bn) a year, Mr Urban said. Some Western analysts, however, have warned that import targets may be optimistic.

Interviewed at the Czech embassy, Mr Urban said he had protested to British ministers about the operation of the CoCom list—goods said to be of potential military value that may not be sold to the Socialist bloc.

He described as "illogical" the inclusion in the list of computer systems to control processes in the chemical, pulp and float glass industries.

"I didn't expect any promise from the UK that these lists would be shortened or liquidated," Mr Urban said. "But I must tell you that I felt that in my discussions with your ministers that they have an interest in trading with Czechoslovakia."

"Perhaps they will sit behind the table over a specific case and resolve it. This fills me with a certain measure of optimism."

The minister also raised Czechoslovakia's recurrent protest that the country is denied the benefits of its membership of the General Agreement on Tariffs and Trade, for example, in the high duties it faces on its export of glassware to the US.

Japan takes 25% of W. European medium van market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPANESE producers captured nearly 25 per cent of the West European medium van market in the first quarter of 1986.

They benefited much more than their European rivals from the hiatus caused by Ford phasing out sales of the old Transit. Europe's best-selling medium van and the gradual introduction of the new Transit.

However, the Japanese already had made major inroads into the sector, mainly at the expense of Ford, which built the Transit in Britain and Belgium and Volkswagen of West Germany.

In 1980, the Japanese accounted for only 11.8 per cent of the medium van market in Europe (15 countries) end by the end of last year had built their penetration to more than 21 per cent.

The London-based DRI Europe group recently forecast that by the 1990s the Japanese will take 40 per cent of the medium van sector—the fastest-growing part of Western Europe's commercial vehicle business.

DRI suggested two elements in particular would extend the Japanese penetration. Firstly, the Japanese will make more vans of their own European factories. For example, Nissan is making the Vanette at its Motor Iberica subsidiary in Spain.

Secondly, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and investment needed for new vans and will use Japanese vehicles to do so, either by im-

WEST EUROPE MEDIUM VAN MARKET					
	1982	1983	1984	1985	1986 (1st qtr)
Total sales '000	437.5	652.4	433.9	682.2	186.6
Total Japanese	16.4	18.4	20.7	21.2	24.8
Volkswagen	17.2	16.3	15.1	14.8	15.0
Ford	16.0	14.3	13.6	11.9	10.5
Peugeot-Citroen-Talbot	10.5	10.3	9.9	9.2	9.5
Fiat	7.9	8.3	9.3	9.9	9.2
Renault	4.6	4.5	4.7	4.9	4.6
Mercedes	3.1	3.8	3.7	3.2	3.1
BT-Austin Rover	3.6	4.1	4.5	4.5	4.4

porting them fully built-up or by producing Japanese-designed vehicles.

The trend has already been established. Ford recently added a light van produced by its Japanese associate, Mazda, to its range in West German,

while Daimler-Benz, the Mercedes group, and General Motors have agreements to produce Japanese vans under licence.

Industry statistics for the first quarter of this year show that the Japanese, rather than other

Battle to break Japan telecom monopoly

By Jason Crisp in London and Carl Rapoport in Tokyo

TWO POWERFUL groups are now battling to become the second international telecommunications carrier in Japan to compete with Kokusai Denhin Denwa which currently has a monopoly.

Competition using satellite communications could start by the end of next year.

Yesterday it was announced that a 52 per cent-owned subsidiary of Nippon Telephone and Telegraph, which still has the internal telephone monopoly, was giving technical advice to one of the groups which includes C. Itoh and Cable and Wireless of the UK.

This group is also being backed by Toyota Motors of Japan and General Motors. The group is to conduct a feasibility study into an international competitor to KDD. The main rival is another consortium which includes Mitsui, Mitsubishi and Sumitomo.

Although the Japanese could licence two competitors to KDD, it is expected that a single consortium will be formed from both groups. Cable and Wireless hopes to end up with about a 20 per cent share. It is already proposing to participate in a trans-pacific submarine cable and has bid, with Pacific Telecom, for the US landing rights.

An official from C. Itoh said yesterday that the consortium would ideally have six or seven partners.

UK, Philippines agree to review Marcos contracts

BY SAMUEL SENOREN IN MANILA

THE US and the Philippines have agreed to review jointly contracts entered into by the regime of former President Ferdinand Marcos where fraud and misuse of funds may have occurred.

The agreement, to be formalised today, calls for mutual assistance between key US agencies—the Departments of Justice, State and Defence—and the Philippine Presidential Commission on Good Government which is tracking down the wealth of Mr Marcos and close associates.

The arrangement is a victory for the Government of President Corason Aquino, who has accused Mr Marcos of skimming millions of dollars off foreign loans.

It is expected to lead to an expanded investigation by the US of contracts involving loans, commodity and military sales to the Philippines under Mr Marcos.

Mrs Aquino's Government is pursuing investigation of a nuclear plant project which cost \$2.5bn (£1.54bn) funded mostly by US banks.

A special commission formed by Mrs Aquino to look into the project has claimed that Mr Marcos took a bribe in awarding the contract. The company involved has denied wrongdoing in obtaining the contract.

The plant, which is already completed, has not yet been



President Corason Aquino operated by the new Government.

Mr Marcos and close associates are believed to have put away as much as \$10n abroad, a substantial portion of which has been traced to the US and Switzerland.

The Commission on Good Government, which is trying to recover these assets, has so far recovered only a portion, most of which was left behind in the Philippines.

The Commission so far has been able to seize about \$750m worth of assets.

Israel defence chief backs Lavi

BY ANDREW WHITLEY IN JERUSALEM

GEN MOSHE LEVY, Chief of Staff of the Israel Defence Forces, has strongly defended the US-funded Lavi aircraft project, which the Reagan administration is seeking to have cancelled, as being the best answer to Israel's operation needs.

The US would like Israel to replace the \$2.5bn (£1.5bn) project with an alternative US-made aircraft, such as an improved version of the F16, which the Israeli Air Force already has in service. But Gen Levy said yesterday this would be like buying a suit of the peg rather than one made to measure.

In an effort to meet US demands for a cap on the run-away production cost estimates for the Lavi, Mr Yitzhak Rabin, the Defence Minister, last week ordered that annual expenditure be restricted to \$550m.

The Pentagon insists, however, that the real construction cost at the planned rate of 24 aircraft a year is likely to vary between \$650m and \$900m. Privately, Israeli officials agree that the Rabin ceiling is unrealistic. The US, at present committed to spending \$300m a year over 15 years on the Lavi.

While the debate over the controversial bomber—intended to be a match in the 1990s for any aircraft produced by the US or the Soviet Union, has now shifted to possible alternatives, the Defence Ministry continues to insist that any studies on other options should not upset the Lavi's present development schedule.

Mr Rabin, unlike some of the ground commanders in the Israeli Defence Forces and some of Prime Minister Shimon Peres's advisers, is a staunch defender of the project. In a newspaper interview yesterday, he insisted that while Israel is prepared to receive US proposals "no alternatives" at present exist.

A Pentagon team recently in Israel — is said by Israel aircraft industry officials to be now awaiting the go-ahead from Mr Caspar Weinberger, US Secretary of Defence, to conduct a full study into alternatives to the Lavi. This is expected to last approximately six months.

The last full evaluation conducted by the Defence Ministry in Israel on the country's largest ever national project was in 1981 under Mr Ariel Sharon. He and his successors as Defence Minister have all supported the decision to go into production with the aircraft as rapidly as possible.

Montedison in Jakarta deal

BY ALAN FRIEDMAN IN MILAN

ITALY'S Montedison group is to co-ordinate the construction of a \$40m (£28m) pharmaceuticals factory in Indonesia. The plant, which is scheduled for completion within three years, is to be built by the Indonesian Government on the outskirts of Jakarta.

The factory will have productive capacity for 200m tablets, capsules and syrup mixtures a year and the drugs

will be antibiotics, anti-malarial remedies, anti-rheumatics, intestinal disinfectants and vitamins.

Of the total cost, some \$23m will be financed by means of soft loans and government grants from the Italian Foreign Ministry.

The two Montedison subsidiaries to be involved in the Indonesian plant will be Farmitalia, Caris, Enbi, the pharmaceuticals division, and Tecnimont, the engineering business which will design the plant.

Renier reports from Brussels: The output of Western Europe's chemical industry should show volume growth of 2.5 per cent this year despite a relatively poor performance in the first quarter, the European Council of Chemical Manufacturers, Federations, forecast.

A medical revolution. Written by Dornier.

Three years ago, DORNIER research triggered a revolutionary medical invention: the DORNIER Kidney Lithotripter. Developed in cooperation with leading medical authorities, the Lithotripter eliminates surgery to remove kidney stones, in 9 out of 10 cases. The basis of the treatment is innovative technology that uses shock waves.

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More than 150 DORNIER Kidney Lithotripters are at work in leading clinics worldwide and the number is steadily rising. Every five minutes, somewhere in the world, kidney stones are removed without surgery.

The key to the breakthrough in kidney stone treatment is the extensive knowledge about shock waves amassed by DORNIER scientists. DORNIER'S expertise in aeronautical engineering also played an essential role. Whether building

airplanes or complex medical equipment, there is one absolute priority: protecting human life.

Other companies may also construct machines that crush kidney stones. Yet, none of these potential machines will possess the most vital feature of a DORNIER Kidney Lithotripter: the guarantee of safety gained through the successful treatment of more than 100,000 patients. Only one company in the world can pledge this safety: DORNIER.

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R-R may win on merit says Thatcher



45,000 lines.



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"When I took over, we ran four different makes," he says, "But nothing matched up to the Cargo.

We operate across the range, from 7.5 to 32 tonners."

Boots trucks visit all their retail branches in the Midlands, in all weathers, every working day. (Distribution in the rest of the country is handled by independent hauliers.)

"We regard the Cargo as a very reliable vehicle," says Marson. "It has to be. We don't carry spare trucks, and we can't afford to miss a delivery.

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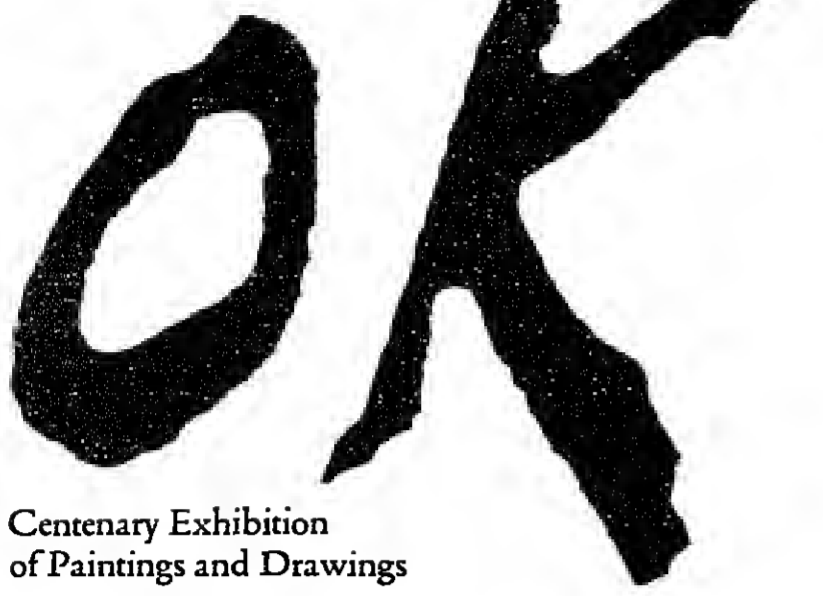
The Cargo does what it's asked to do with efficiency and reliability.

And that's exactly what you want"



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Oskar Kokoschka
1886-1980



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More cash for London area rail investment

By Andrew Fisher
BRITISH RAIL (BR) will step up investment on re-equipping its busy London and South East services to around £120m a year from the present £90m as part of its campaign to raise standards and attract more passengers.
BR also said yesterday that its services in the region, covering 830 stations with 55 more being considered, had been renamed Network SouthEast. Cheaper off-peak fares are being introduced.
Trains will have a new red, blue, and grey livery on the network, the world's second busiest after the Tokyo area. It covers a radius of some 80 miles around London, and carries 50m passengers a year.
Mr Chris Green, director of Network SouthEast, said that apart from investment on re-equipping, £20m would be spent on improving stations and £7m on passenger information services. BR has also earmarked £10m a year for new telephone, ticket, and cleaning staff.
Around 1,700 extra staff are being taken on this year to bring the total to 41,000. For the 1990s, a new lighter and faster suburban train to be called the Networker will be introduced.
Mr Green admitted that routes in and around London had been subject to criticism and cynicism. But since the launch of Operation Pride in February, cancellations had fallen sharply and 90 per cent of trains were on time or within five minutes.

Whitehall job transfers to have tighter vetting

BY HAZEL DUFFY
THE PRIME MINISTER is expected shortly to strengthen the advisory committee which vets top civil servants moving into the private sector by the addition to the committee of a senior backbench MP.
The move comes amid continuing unease about the adequacy of the vetting mechanism, which intensified with the secondment of Mr Peter Levene into the Civil Service to head the Ministry of Defence Procurement Executive, while his job as chairman of United Scientific Holdings, the arms company, was taken by Sir Frank Cooper, a former Permanent Secretary at the Ministry of Defence.
The disquiet over Mr Levene's appointment at a salary of £95,000 a year has been mollified by the Civil Service Commission being given the right to approve all secondments into senior Civil Service jobs. But the members of the advisory committee on business appointments - all top-ranking ex-civil servants and businessmen - have also been making known quietly their belief that the committee needs strengthening.
In particular, they are believed to be pressing the Government to begin the search for a successor to Lord Diamond, who has chaired the committee since 1975.
Lord Diamond, a former Labour minister and now leader of the Social Democrats in the House of Lords, will be 80 next year. One possibility is that the Prime Minister will delay the announcement of the intention to add a new member to the committee until a decision has been taken on a new chairman.
All civil servants of undersecretary rank and above who want to move into the private sector must apply to the advisory committee for permission. They could be asked to wait for up to two years before taking the appointment if the committee feels that a company or organisation might be gaining an unfair advantage over its competitors by acquiring somebody fresh from Whitehall. In practice, the full waiting period has not been applied.
The mechanism of the committee's vetting procedure is also designed to counter possible suspicion that a civil servant might give advice and decisions in the hope of future employment with a company.

Controls on bid advertising criticised

By Fiona McEwen
THE ADVERTISING industry has called for the controls on takeover advertising to be reconsidered.
It claims that such advertising, which has risen to prominence in the last six months with the wave of contested bids and mergers, should be controlled by the industry's self-regulatory body, the Advertising Standards Authority (ASA), and not the City of London's Takeover Panel.
Both the ASA and the Advertising Association have strongly condemned the clampdown by the Takeover Panel some weeks ago in which it banned takeover advertising that failed to "avoid argument or incentive."
If generally observed, says the ASA in its latest case report, "this ruling will emasculate advertisements in bid situations, leaving both the general public and shareholders worse off."
The Advertising Association is pressing the panel to return full responsibility for vetting takeover ads to the ASA (which already has rules about comparative advertising). The ASA would work to a new set of special regulations agreed on by the panel. Talks are continuing along these lines.

BL trucks division chief quits

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT
MR DAVID ANDREWS, the executive director responsible for BL's commercial vehicle operations, has resigned from the state-owned group.
It is likely to be the first of a number of resignations after the recent appointment of Mr Graham Day, former chairman of British Shipbuilders, as executive chairman and chief executive of BL.
Mr Andrews, 51, is believed to have been BL's highest-paid director, receiving £38,367 in 1985.
Mr Andrews said yesterday that he had no firm plans for the future but it was unlikely that he would remain in the UK motor industry. Mr Day, the personal choice of Mrs Margaret Thatcher, Prime Minister, for the BL appointment, joined the group on May 1 and his executive role immediately called into question the position of Mr Andrews and the group's other executive director, Mr Ray Horrocks.
Mr Horrocks, 55, who was responsible for BL's car operations before the arrival of Mr Day, is also expected to leave the group shortly.
Mr Andrews joined what was then British Leyland in 1969 as financial controller for Ford of Europe. He was Sir Michael Edwards's vice-chairman in the late 1970s and took control of the commercial vehicle operations when BL was split into two divisions.
He took leave of absence from BL in mid-February this year to lead the team which unsuccessfully attempted to organise a management buy-out of the Land Rover subsidiary, at first in competition with General Motors of the US which wanted to buy nearly all of BL's Land Rover-Leyland commercial vehicle operations.

Most of the applications come from civil servants in the Ministry of Defence and to a lesser extent from the Treasury and the Department of Trade and Industry - all ministries which have frequent contacts with business.
Before this case, the House of Commons Treasury and Civil Service committee had already urged a strengthening of the present system. Most of its recommendations were rejected by the Government in a White Paper (policy statement) published in March 1985. They included the extension of the two-year waiting period to five - which the Government said was not workable - more openness in the workings of the advisory committee, a new code of conduct for civil servants going into the private sector, and the appointment of two senior backbench MPs to the advisory committee.
In the event, the Government has relented and compromised on the last. The advisory committee still operates in a cloak of secrecy - even its memberships, other than the chairman, is not normally announced.

New Issue June 11, 1986
This advertisement appears as a matter of record only.

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Wilmot calls for data Processing industry restrictions

FINANCIAL TIMES REPORTER
THE DATA processing industry should be made subject to the same restrictions as the privatised telecommunications operators, if the large computer companies were not to "kidnap" the deregulated voice traffic when the voice and data industries converge, Mr Robb Wilmot said yesterday.
Speaking as chairman of Wilmot Enterprises, he told the Financial Times Conference on World Electronics that if data processing companies were allowed to cross-subsidise their operations, and the national telecom authorities were not "the PTIs are going to be seriously disadvantaged as voice and data converge technologically."
Whereas Telecom's operators had to disclose in writing all changes to their networks at the time they began, data processing companies did not have to comply with the same regulations on information disclosure. That resulted in "a time lag for competitors in introducing compatible products and consequent price premiums of 15 per cent to 25 per cent for the dominant supplier."
If the same treatment was given to the data processing industry, there was no reason why "all players, including the dominant players, shouldn't emerge as stronger, faster growing companies."
He added that he was personally convinced that it would lead to the IT industry growing at least 5 per cent faster than at the moment, through a mixture of accelerated innovation and investment.
The doubling of investments in information technology would have a tremendous impact on productivity and competitiveness, possibly resulting in an additional one point of GDP, he went on.
Computer companies also came in for criticism from Mr A.G.W. Biddle, president and executive director of the Computer and Communications Industry Association in the US. He tackled them for not working together towards standards so that computers from different vendors could work together.
The computer manufacturers would be pushed into developing standards.
Access to a communications infrastructure was now the single most important factor for companies making a decision about where to locate their premises. If necessary they would go to a different vendor or even a different country.
Integrated global information networks would become a reality more quickly than manufacturers had thought, and he added, "if we cannot lead the way we should follow, at the very least we should get out of the way."
Mr Alain Bouhllil, adviser to President François Mitterrand of France, said governments still had responsibilities to the electronics industry in spite of the move away from direct state intervention. It was still the state's job to maintain large order programmes in telecommunications, energy and defence and to allow time for industry and government to work together.
The Government should also encourage research and development through the setting up of national laboratories or institutions, should look to train and provide qualified staff and encourage collaboration between education and industry.
European companies should now begin to look outside Europe if the appropriate technology was not available, and should form joint ventures with US and Japanese companies.

Processing budgets to be cut

By Alan Cane
DATA processing departments in UK companies are planning to cut budgets this year because technology is too complicated, data processing staff are finding it difficult to cope and because senior management is becoming more familiar with computing requirements.
This is the most dramatic finding from a review of UK information technology this year carried out by the accountants Price Waterhouse.
It says that the average data processing department will spend £1.2m in 1986, £141,000 less than last year. Adjusted for inflation, Price Waterhouse's figures show that data processing budgets grew by 1.4 per cent in 1985 but will fall by over 14 per cent this year.
The principal author of the survey, Dr C. B. B. Grindley, says that the change cannot be accounted for by falling hardware prices - the need for new hardware to provide better services outweighs the reduction in prices.
He says that top management is taking a new interest in data processing budgets and refusing to spend more money without detailed justification.
The sophistication of much of the technology being offered by manufacturers was upsetting managers, the survey showed. "The new information technology means big changes and frankly my staff is not up to it," one said.
The Price Waterhouse review, carried out every quarter in conjunction with the weekly newspaper Computing, has been carried out since 1979, during which time it has identified most of the major trends in data processing practice in the UK.



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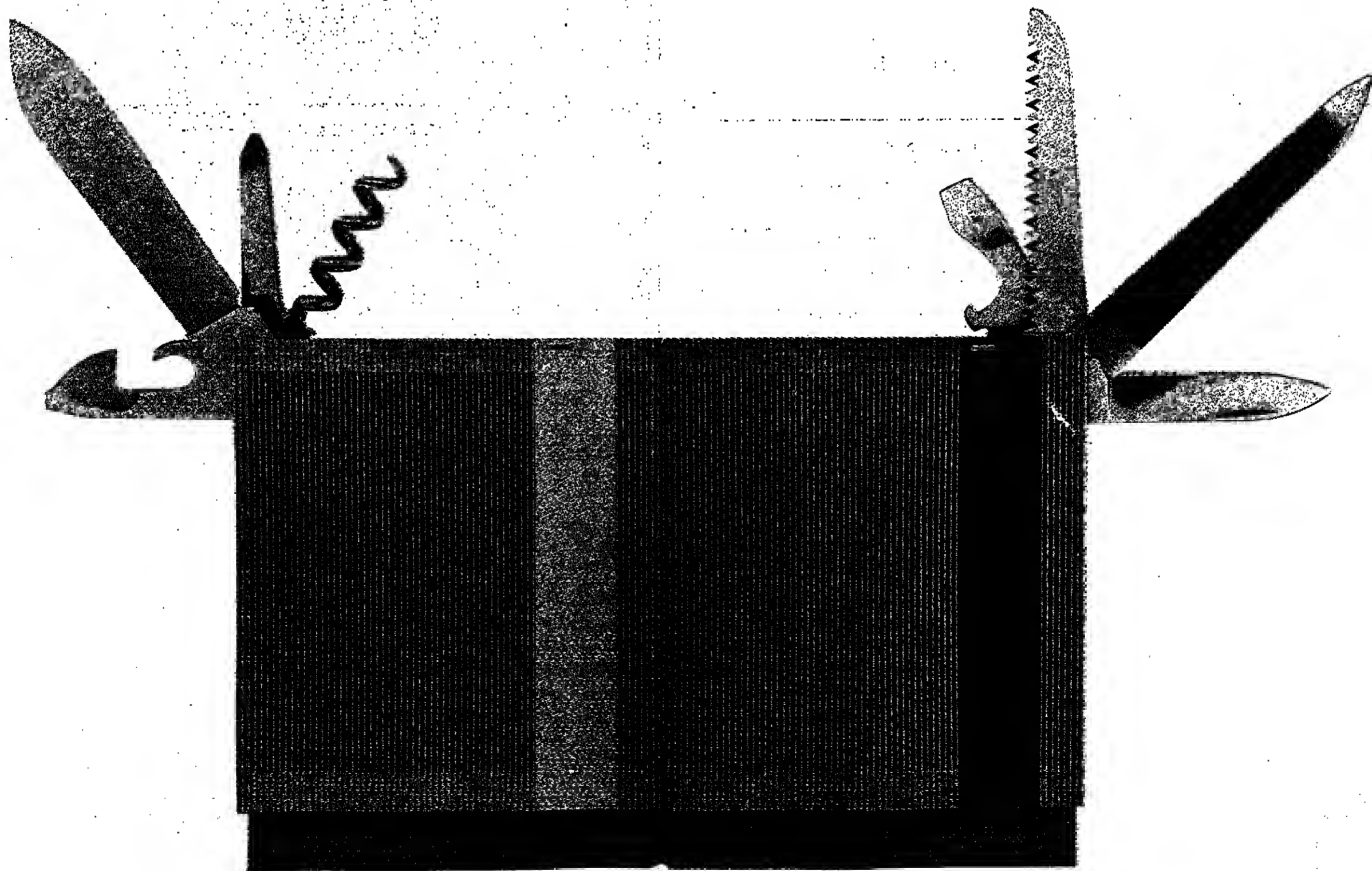
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Cathay Pacific already operates a fleet of eleven Boeing 747s and nine Lockheed L1011 TriStars, all powered by Rolls-Royce RB211-524D3 engines. This enables Cathay Pacific to achieve major savings in fuel costs in excess of US\$1 million

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Vertical text on the left margin, partially obscured.

Partial view of another page from the newspaper, showing text like 'Brill', 'Space', 'naphics', and 'ata link a'.

TECHNOLOGY

David Fishlock, Science Editor, on how GEC won the race to design air data computers for US military aircraft

British answer to a poser from the Pentagon



Work on GEC's air data computers which will be supplied to the US Air Force and Navy. Some 2,000 will be built, with deliveries beginning during this summer

HOW'S this for an assignment: to design a single black box that will recognise and talk fluently to any of 38 different aircraft, telling the pilot precisely what he needs to know about the air through which he is flying.

This was the challenge thrown down by the Pentagon to its leading suppliers of avionics (aircraft electronic) systems in 1980. Some said the idea was impossible. But a dozen US companies and one from Britain responded. So far all the orders placed for the new multi-role air data computer — worth about \$90m — have been landed by the British firm, GEC Avionics.

The new computer has also been installed in the Experimental Aircraft Programme (EAP), Britain's \$230m flying testbed for a future European fighter aircraft.

The company says it could never have contemplated a challenge of such complexity without computer-aided design. Without CAD, the scope for mistakes would have killed a programme like this, contends Ron Howard, director and general manager of its flight systems division.

The air data computer is the nerve centre of every aircraft, and a type of black box his company has been designing for 30 years. The Pentagon had the idea of refitting about 5,000 aircraft of 38 different variants with a single design of air data computer, to minimise its capital, rent and support costs for

an item expected to have a working life of about 35 years.

The aircraft come in 15 basic types, ranging from the single-seat A-4 Skyhawk to the huge C-5 Galaxy transport. They use a wide variety of computers of present, differing in size, location and age, and providing a widely varying amount of aerodynamic data to the pilot. Each aircraft has either one or two of these black boxes.

The Pentagon's plan for the standard central air data com-

puter (SCADC) identified a possibility for saving over \$1bn by having a single black box to update fleets of Navy and Air Force aircraft based on designs dating back to the 1950s. Under its CAD programme, the Pentagon is expected to order upwards of 10,000 computers, worth about \$300m in total.

But it wants guaranteed reliability in order to minimise the number of black boxes it needs to stock. Each aircraft has its own testing protocol designed to from the start, which the new black box would have to accommodate.

Specifically the challenge came from the US Navy Systems Command and Wright-Patterson Air Force Base. These agencies jointly issued an early warning to prospective contractors that all the data was not yet available for a specification

to be written. Contractors were invited to help close the gap. They offered a fee of \$5m to any who would help write the specification.

"I wouldn't like to say what it cost us," muses John Colston, manager of GEC Avionics instrument systems division. It was the company's first encounter with "interface meetings" where customer and contractor gather in a large conference to "brainstorm" their way through the design. Americans call it "working the problem." There were 75 people present at the first of the meetings the company attended.

Ron Howard believes it was "by far the most complex equipment bidding exercise the US has ever undertaken." It took his company an enormous technical effort just to understand the principles of SCADC — more than many companies are prepared to invest, he says.

The aim of SCADC from the start was to designate two suppliers, each having its own design, but seen by the customer as interchangeable and therefore competitive for each successive tranche of orders.

GEC Avionics took a decision to "design for production" from the start. By using CAD it was always working to a production configuration, while its rivals were making prototypes for the initial trials. It invested about \$1m in CAD specifically for the project, says Fred Mackley, the company's programme manager. It surmounted the first big

hurdle in 1983 when the customer chose Garrett Air Research and GEC Avionics as its two suppliers for SCADC. Then it found itself deluged for months in floods of questions which the customer expected to be answered within 24 hours.

The team soon discovered that the absence, no matter what reason, of the relevant expert was simply not an excuse the customer would accept.

GEC Avionics demonstrated convincingly to the customer that a single black box was unrealistic because of the amount of excess capacity it would carry. By grouping the aircraft into four types, it was found the varieties of black box could be reduced to four, mainly different in outward appearance to fit the different holes and interfaces of the aircraft. About 85 per cent of the electronics, however, is common to all 38 aircraft.

It required about 4,000 CAD drawings to make these four computers, and another 3,000 for the associated test equipment. A fifth was included to accommodate an extra Navy computer not included in the original programme.

Compared with the elegance of personal computers, these black boxes are ugly — a bit like old gas meters. Much of them consists of metal panels and sensors to interface with particular aircraft. They range from 11 to 19.5 kilograms in weight. But each has the same core of electronics — ten standard core modules plus one

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Japan to use cards for vending machines

By Geoffrey Charlish

VENDING CARDS are likely to be developed by Nippon Telegraph and Telephone (NTT) in conjunction with Japan Tobacco and a number of banks.

The consortium plans to set up a company called Japan Card Engineering to develop card and vending machine technology and another, Japan Card System, to issue cards and handle sales.

Prepaid magnetic cards, plugged into the machines, will be debited in fixed steps until exhausted in the same fashion as prepaid telephone cards in the UK and Japan. They will be used to buy drinks, tobacco and similar items and will obviate the eternal problem of never having the right coins to use in vending machines.

US page readers get graphics capability

PAGE READERS made by US-based company Kurtzweil Computer Products can now scan line graphics as well as text, in any combination on the page.

Although half-tone illustrations cannot be dealt with, the enhanced model 4000 surmounts the problem of directly entering pages of manuals and technical documentation into a computer for subsequent electronic publishing operations.

With new software called Artscan, the model 4000 machine, of which 500 have been sold worldwide in just two years, can scan a mixed page in a minute or two.

All the operator has to do beforehand is tell the system the position of the graphics in relation to the text. He or she does this by laying the page on a "digitising tablet" and using an active stylus to mark the corners of the graphics area. The model 4000 then knows which areas to scan "intelligently" for text recognition and which for simple black or white graphics elements. Text and graphics electronic files can be held separately in a publishing computer and manipulated for page layout if desired.

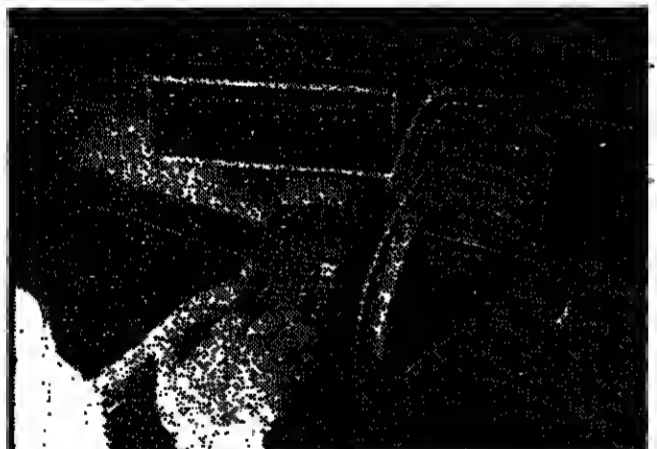
The informational end-user price of the new software is \$8,000 and more information can be obtained from Kurtzweil's newly-opened UK office in Reading, UK (0737 5358).

COMPUTER-AIDED design images containing complex solid-shaded "3D" images can be brought up on the screen of a terminal at a speed which is claimed by General Electric Calma of the UK to be much faster than competitive systems.

WORTH WATCHING

Edited by Geoff Charlish

Calma is using a new graphics processor called Graphicon 700 which will be sold as an option on its computer-aided design, engineering and manufacturing systems. The Calma equipment, based on Digital Equipment Corporation VAX and MicroVAX computers will now work at rates some five times faster than before for simple screen-refresh commands and 30 times faster for the generation of shaded images. In the UK, Calma is on 0276 682821.



In-car equipment for Spectronics Micro's data transmission system—80-character display unit and associated keypad

Data link aids fleet vehicle management

VEHICLE DATA transmission between the drivers of fleet vehicles and their dispatcher at base is the feature of a new system from Spectronics Micro Systems of Cambridge, UK (0954 80888).

Using the vehicle's mobile radio link, the 5600 Fleet Manager is aimed at organisations operating taxi, courier, security and emergency services, and freight companies. The driver has an eighty-character display unit and a simple keypad in the vehicle. He can be sent messages from base, such as clients' collection and destination addresses. In the reverse direction, the driver can send details of his geographical location and other information, needed back at base, in text/numerical form.

WHISPER ASPHALT is a new road surfacing material from West Germany which is said to be able to absorb up to 50 per cent of the noise made by tyres. It is to be tested by the West German Transport Ministry on 10

stretches of road throughout the country over the next five years.

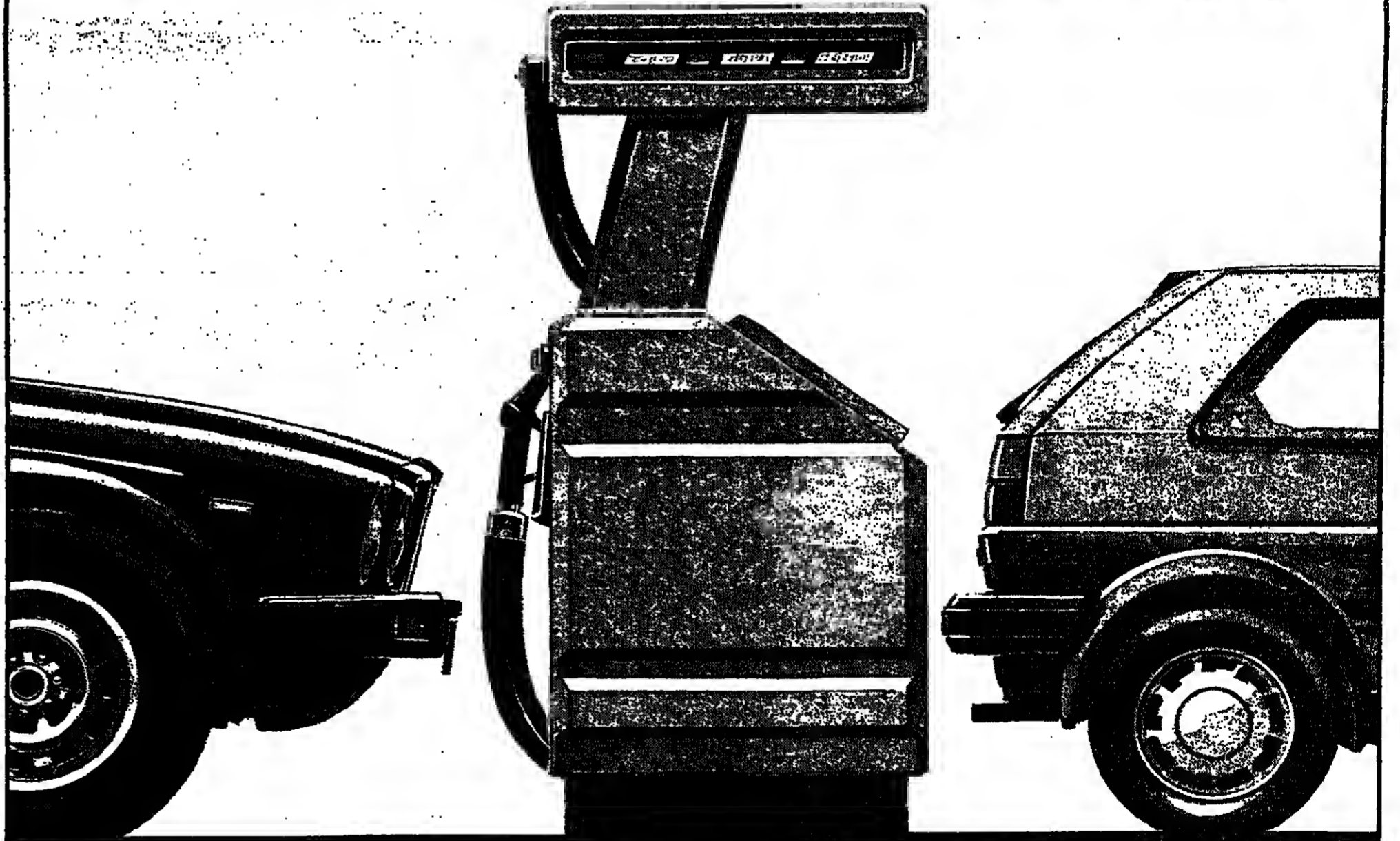
ISDN CHIPS, semiconductor devices that will encapsulate the necessary electronic circuits needed for the forthcoming "integrated services digital network," are to be jointly researched by Northern Telecom and Motorola, of the US.

ISDN becomes possible with the all-digital phone networks gradually being introduced by the world's telecommunication operators. It allows text, data and video signals to be sent as well as just speech.

Northern Telecom is to provide Motorola with network and system information, chip specifications and test results while Motorola will produce chip designs for low cost, high volume manufacturing.

The chip sets that result will be marketed by Motorola, which is clearly hoping to establish a standard in this area.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

High technology

Why Poole's little fish are not bigger

Peter Marsh continues his series with a look at a small town phenomenon that failed to reach its full potential

A SLEEK, low-rise building crammed full of electronics equipment on the outskirts of Poole, Dorset, could be the headquarters of just another company specialising in high technology.

The building, the UK base for Factor, a multinational company which sells electronics test systems, is in fact the most visible manifestation of an extraordinary phenomenon in start-ups in engineering businesses in this part of southern Britain.

In the past two decades, about 45 new companies specialising in electronics and related areas have set up in or around Poole. The enterprises are linked to a remarkable series of activities in the 1960s at the Poole division of Plessey, the UK electronics group, recently subject to a bid from GEC. In every case, the companies were started either by disaffected engineers who left the Plessey unit, most of them between 1968 and 1972, or by others who departed from this first generation of Plessey spin-offs and from businesses formed in later splinterings.

Nearly all the Poole concerns have stayed small, with annual sales of no more than about £1m. The companies themselves are good examples of the type of technology-based start-ups which many hope will generate employment to compensate for the job losses in other parts of the UK economy.

As a result, Poole forms a

good basis of study in an effort to shed light on the ingredients needed by small UK high-tech concerns if they are to grow to a significant size and also on the cultural and management impediments that may stop them doing so.

A "family tree" showing the companies which have started life in Poole from the Plessey connection is reproduced in the diagram. The pattern is similar, though more modest in scale, to that seen in other parts of the world (Cambridge in England or Silicon Valley in California for example) in which an isolated set of activities has led to successive waves of new technology-based companies.

While the Cambridge effect is connected to scientific or engineering work at the city's university and nearby all the Silicon Valley companies can be traced back to a few pioneering semiconductor enterprises such as Fairchild, the Poole phenomenon is unusual in being linked to what appears to have been a series of management blunders at a single large company (see panel).

The 35 or so Poole companies to have emerged from the Plessey defections and which still exist employ a total of about 2,000 people and account for a combined annual turnover of roughly £100m. The highest and outwardly most successful of the Poole companies is Membrain, one of the few which have been taken over. Membrain was bought in 1977 by

Schlumberger, the US-based oil services-to-electronics multinational, and now forms part of the company's factory test-equipment subsidiary.

The Dorset division of Factor today employs 440 people and accounts for annual sales of some £35m, an increase of 55 per cent in the past 18 months. At the time of the takeover, it had eminently presentable sales of about £4m, built up since the start of the company in 1970.

Apart from Membrain, none of the other Poole companies has a turnover of more than about £15m. Companies with sales in this region include Quest Automation and Microsystems, two computer and electronics companies both of which are publicly listed.

Few of the Poole companies have obtained outside equity from sources such as investment institutions. Most appear to have been happy to build up their businesses on small amounts of cash, raised either through modest profits or by bank loans.

In the US, fast-growing, dynamic high-tech concerns are seen in greater numbers than in Britain, as a result of what appears to be the greater in-born drive of the average US entrepreneur and the large US markets for technology-based products. It is worth noting, however, that even in Silicon Valley, large companies are relatively few. Of the 3,000 or so computer-related manufac-

turing companies in this region in 1985, 70 per cent had fewer than 10 employees and 85 per cent fewer than 50.

Nonetheless, analysis of the Poole companies confirms some of the classic problems faced by small British high-tech companies as they try to grow larger. One problem simply is the weight of competition. As more businesses are attracted to a novel application of technology, the small concern can easily find itself squeezed out. For many such companies, "even survival is a success," according to Priya King, a researcher at the London Business School.

Another difficulty concerns management. As companies grow larger, their founders may lack the skills in areas such as marketing and recruitment needed to consolidate growth. "Many entrepreneurs are disasters in charge of £10m turnover companies," observes Paul Bailey, an executive with Baring Brothers Hambrecht and Quist, a venture capital group.

The people behind the Poole companies have their own views. A key difficulty, according to Peter Noble, an ex-Plessey engineer who started Integrated Photomatrix in 1969 and is now technical director of another Dorset concern called Ambotech, is finance. He says a small concern often has trouble raising the several million pounds it may need to expand, by setting up overseas subsidiaries, for example.

An overriding reason for the failure of many small high-tech concerns to break into the big league may be that the people who start these enterprises often dislike large organisations.

Perhaps the person most worth listening to is Tony Davies, an ex-Plessey employee who founded Membrain, which has grown to be the biggest of the Poole concerns. Davies had joined Plessey's Poole division in 1965 straight from university and set up Membrain in 1970 at the age of 26.

Not only this, after leaving the company shortly after the Schlumberger takeover, Davies went on to make a success elsewhere. In 1980, he bought control of an existing company, Computer Technology, and has built it up to sales of £30m annually—not a huge company internationally but large in comparison with most of the Poole businesses. In the process, the Winchester-based concern, which makes fault-tolerant computers and communications systems, has changed its name to Information Technology.

According to Davies, there are strong cultural reasons why a lot of UK high-tech companies stay small. "When they reach a turnover of £2m or so, many founders consciously stop expanding the business so they can have more free time. It's different in the US, which is a newer society and makes more use of material measurement to determine whether people

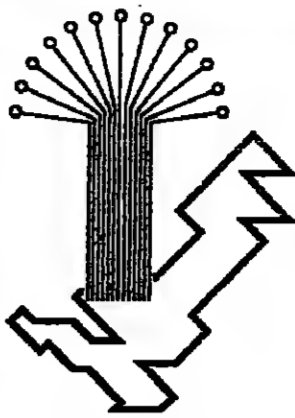
are successful."

To what does Davies owe his own relative success? He cites a mixture of ingredients, including a willingness to give up total control of his companies (he owns only about 35 per cent of Information Technology) as a way of gaining new sources of investment and of management skills. Other ingredients are good luck, and a determined attitude—"I have an ambition not just to be in business but to gain a particular market share."

One of Davies's ex-employees, who asked not to be named, is possibly more revealing. He says of the high-flyer: "He's enthusiastic, commands the loyalty of his staff and does not spare himself. Tony's an engineer and I joined him as an accountant—but he could look after the finances better than I could. He can look at a business problem and define the complexities rather than be diverted by the complexities that bog most of us down."

In other words, putting aside the arguments about culture, cash and business strategies, the question of whether high-tech companies can grow bigger centres on personal characteristics of the people who set them up.

This theme will be taken further in the next article in the series, which looks at six different success stories in UK high-technology industry and which will appear on Friday. The first article was published on Monday.



THE CONCENTRATION of small electronics-based companies in the Poole area can be traced back to 1965, when Plessey set up a new automation division in a disused armaments factory near the town. The unit, staffed by about 1,000 engineers, was meant to copel Plessey into a brave new era of technology.

No doubt inspired by the rhetoric of the 1960s Wilson government, which continually enthused about how advanced technology could regenerate Britain's industries, Plessey turned its automation division loose on a wide range of problems.

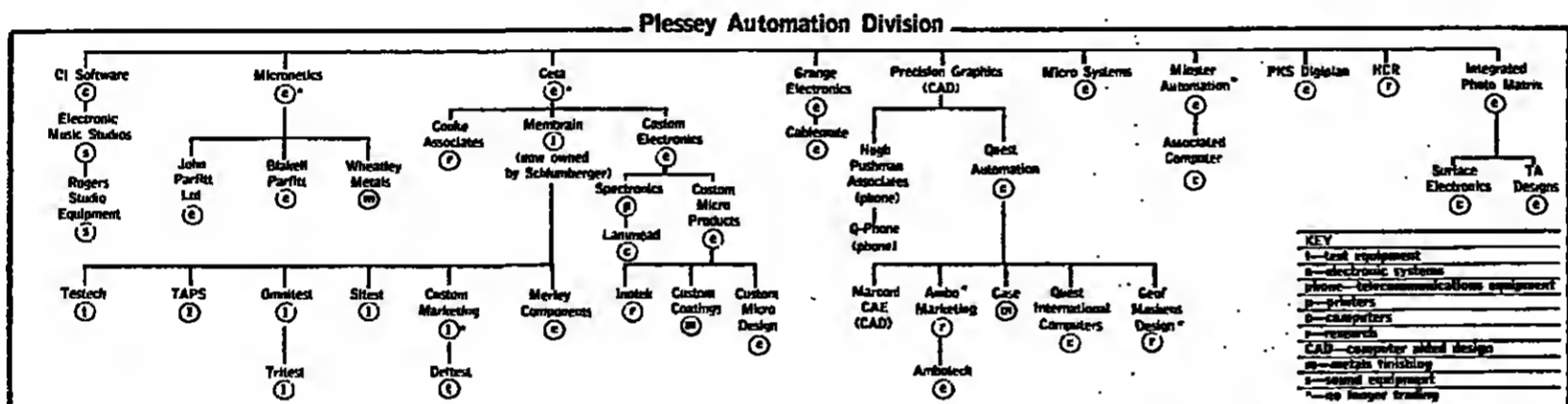
Working for the unit must have been, initially at any rate, an engineer's dream. Many of the projects were far ahead of their time. Among them was work on an early form of computer memory, based on early forms of microchips, which would have taken up the space of a small room.

The Plessey engineers also tackled new types of sensors and a pioneering design for ERNIE, the computer for Britain's premium bond draw or national lottery. The work was nothing if not wide-ranging. Other projects included a bar-code system for registering library books; electronic circuitry that could recognise speech; and a document reading system to record the level of sensitivity of confidential military documents.

By about 1968, the engineers sensed something was wrong. According to those who were there at the time, Plessey failed to set up a marketing effort to find useful outlets beyond the research laboratory for its technical ideas. "A lot of the projects were based on fundamentals that were not sound," recalls Richard Perryman, now technical director at PKS Digital.

What was the official Plessey view? Eric Clark, who was chief executive of the Poole division from 1974 to 1979, says it was healthy and stimulating that engineers who found their ideas could not make progress within Plessey should leave to set up on their own. There was no feeling of "My God, we have had a brain drain," says Clark, now managing director of BICC Cables.

Derek Roberts, who is today deputy managing director of GEC and who, in the early 1970s, was head of Plessey's research centre in Caswell, near Northampton, has a different recollection. He says there was a feeling that the Poole operation "had not been sensibly managed" and that he had not been surprised at seeing the mass defections.



ENERGY BLUEPRINT

HELPING BUSINESS MAKE MORE OF ITS ENERGY

Heat pump is a cool cost saver at computer centre

Cost savings on tap

Substantial savings in air conditioning costs are being achieved from a switch to a heat pump at the Allied Breweries Management Services computer centre at Burton, Staffordshire.

Operating around the clock for an average 5 1/2 days a week, the computer centre, which generates large amounts of excess heat, demands a temperature of 21°C ± 3° and relative humidity of 50 per cent ± 10 per cent.

The electric heat pump has replaced a system which combined electrically operated air handling plants and water chillers with gas-fired boilers for heating. The boilers also provided heating in offices, locker rooms and the canteen, and hot water for domestic use.

The chillers, 12 years old, were due to be overhauled or replaced as a result of non-stop use and added equipment loads in the computer rooms.



Integrated system

East Midlands Electricity Board's Environmental Project Department found that heating and cooling loads followed a similar pattern and therefore looked for a solution that would meet both needs. The answer was a heat pump integrated into the existing system.

The heat pump utilises either heat which would otherwise be rejected by the system to the atmosphere or ambient heat from the atmosphere, to provide warmth where required. To be compatible with the existing heating system, its heating circuit operates at between 60 and 70°C.

The old boilers and chillers now play only a supplementary role. Extra heating is usually needed only on the rare occasions when, on colder mornings, the building

has to be pre-heated before occupation and there is no surplus heat available because no cooling is taking place.

Installed at a cost of just over £24,000 in March 1984, the heat pump saved as much as this in reduced gas bills in its first year of operation and, taking into account the change in electricity consumed, gave an investment payback of just 13 months. For more information tick coupon box 1.

Every time someone turns on a hot water tap, is it money down the drain? The question is one that concerns nearly every business to some extent.

Electricity is the cost-effective answer. It is not only clean, safe, reliable, controllable and capable of giving an assured supply of water at the right temperature, it also usually costs less to install and maintain and, more important, it can be cheaper to run as well.

One of the easiest ways to save money on water heating is to change to low cost night rate electricity, especially where large volumes of hot water are needed. The most efficient arrangement is to have two immersion heaters inserted horizontally in the storage cylinder, the lower one using night rate electricity to heat the full contents and the upper one providing rapid daytime top-up if required.

Electric immersion heaters can significantly cut summer water heating costs where there are large, distributed central heating systems working only on part load. Boiler efficiency then can fall to 20 per cent or even less.

incorporate a timer so that water flows for only a pre-set period when a hand is held under the outlet. This approach can be applied to either a tap or a shower nozzle. As an example of the economics, an instantaneous heater with a spray outlet and a 25-second timer can give 48 hand washes for one unit of electricity.

One method that will not significantly reduce running costs, contrary to popular opinion, is to switch off storage water heaters periodically. For example with a 136-litre factory-insulated cylinder storing water at 60°C, the saving from switching off every night for 12 hours would be under £2 a year. What's more, the benefit of a constant supply of hot water is lost.

Far larger savings than that are on tap with electricity.

For more information tick coupon box 2.

Entrants should be able to demonstrate that the adoption of an electric service or technique has either reduced energy costs or improved the environment or amenity of the building, or both.

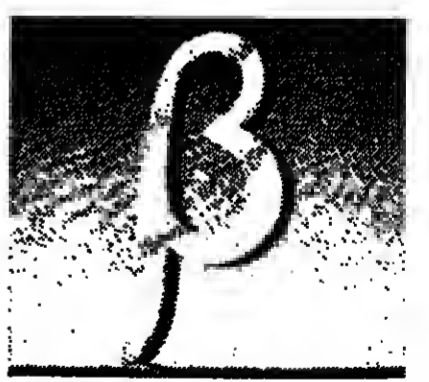
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Time is running out in the 1986 BETA Award Scheme for energy efficiency in buildings. Entries have to be in the hands of Electricity Boards' head offices by 30 June.

Two cash prizes of £500, together with trophies and plaques, will be awarded in each of the 14 Electricity Board areas for the best demonstrated use of cost-effective electric services or techniques. There are two categories of awards - for buildings up to 1,000 square metres and buildings over 1,000 square metres. Two national winners, to be decided from the regional finalists, will each receive a £1,000 cash prize and trophy.

The Award Scheme is for new and existing buildings in the public and private commercial sectors including shops, warehouses and offices but not manufacturing or farming premises.



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FINANCIAL TIMES SURVEY

Wednesday June 11 1986

The Legal Profession

Competition, cost pressures and the pace of technology are about to thrust radical change upon Britain's lawyers. Time for a new flexibility

By A. H. Hermann, Legal Correspondent

LIKE THE City of London, the English legal profession is facing a "big bang". The upheaval, which cannot be new much delayed, will be brought about by the almost simultaneous maturing of four factors:

- The gradual erosion of the profession's barriers to entry and to internal competition;
- The appearance of external competition, both domestic and foreign;
- The pressure for greater cost effectiveness of the legal services from the Government, which became the single most important paymaster of the profession;
- And finally, the rapid development of communication and information technology, which will further intensify both internal and external competition and facilitate the adoption of cost-saving procedures.

Throughout the 19th century, the legal profession successfully limited entry to its ranks by premium fees demanded from articled clerks by solicitors and from pupils by barristers. In addition to the cost of maintenance which, in the first years, the young lawyer had to meet out of his private funds. In the case of the Bar, numbers were kept down further by the rejection of all who were unlikely to become "gentlemen," and by the weeding out of young barristers who did not make ends meet after a few years of practice.



Judicial reflections in Chancery Lane

During the 19th century and the beginning of the 20th, academic legal education was of no great significance for entry into the profession. A dramatic change has taken place in the past two decades as the impact of new universities and polytechnics, and of grants to students, has diminished the importance of on-job training as a barrier to entry. At the same time, legal aid has made possible the survival of many young barristers and some solicitors who otherwise could not make the mark.

So far, the legal service has maintained its internal market-sharing arrangements. This ensures that barristers a monopoly of appearance in higher courts, and solicitors a monopoly of access to clients. These changes resulted in a rapid growth of the profession. The number of private practitioners at the Bar increased from fewer than 2,000 in 1961 to more than 5,000 in 1984—over 170 per cent—in spite of the continuing restriction exercised by the shortage of tenancies in chambers. The number of solicitors increased in this period by almost 140 per cent.

In the 1970s, women started to make a mark in the profession. They seemed to be less encumbered by traditions and more forward-thinking than their male colleagues. Of even greater importance, the expansion of the last 20 years has increased the proportion of hungry young barristers and solicitors, to whom change could bring benefits.

While the older men may prefer to preserve their privileges and monopolistic practices until they retire, the young men and women of the profession must be concerned about the increasing external competition. For the solicitors, who have so far derived half of their income from conveyancing, the greatest threat comes from the acquisition of estate agents by banks and building societies, who will then provide a comprehensive property service by employing solicitors or licensed conveyancers in their estate agencies.

One response to this threat has been the formation of a Conveyancing Exchange which, for a negotiated annual fee, offers to market solicitors' conveyancing services, providing them with ancillary services, and attracting clients by a promise to monitor the quality of the services provided by the associated solicitors. This fills a gap sorely neglected by the Law Society.

However, though association, greater cost-effectiveness and improvement of quality may help, it will be an uphill job to defend anything approaching the present share of the conveyancing market once the banks and building societies start to operate on it in earnest. And while solicitors were saturated with conveyancing, probate and family affairs, the more rewarding field of advising businessmen has been occupied by a few specialised firms and increasingly, by accountants.

As a result, 23 leading City law firms look after the business of some 1,500 large companies (an average of some 63 companies per partnership); and 10 leading provincial and Scottish law firms look after 233 large companies (an average of 23.3 per partnership).

Even within the group of 23 leading City firms, there is a heavy concentration of business at the top. Half of the large corporate clients, including the largest of them, are served by the five biggest City law firms. These employ specialists, and are not much concerned with access to the courts—they do most of their commercial litigation in chambers, where they have direct access without the need to employ barristers.

Even more important, perhaps, is the competition from accountants, whom the indulgence of solicitors allowed to

A VISION OF THE FUTURE

A possible scenario runs as follows... Though Lord Hailsham is still believed to protect the Bar, the reforms that he must demand in order to slow down the escalation of legal aid costs will bring about important changes for the profession. The expansion of written procedure will reduce the call on barristers' services, and sooner or later they will be obliged to give up the appearance in pairs—a QC and junior—and the insistence on the attendance of a solicitor.

This, in turn, is likely to lead to the end of the privileged position of silks within the Bar and give a greater chance to juniors. Greater control of the procedure by the judge will deprive solicitors of a steady income from litigations and pre-trial procedures dragging over many years.

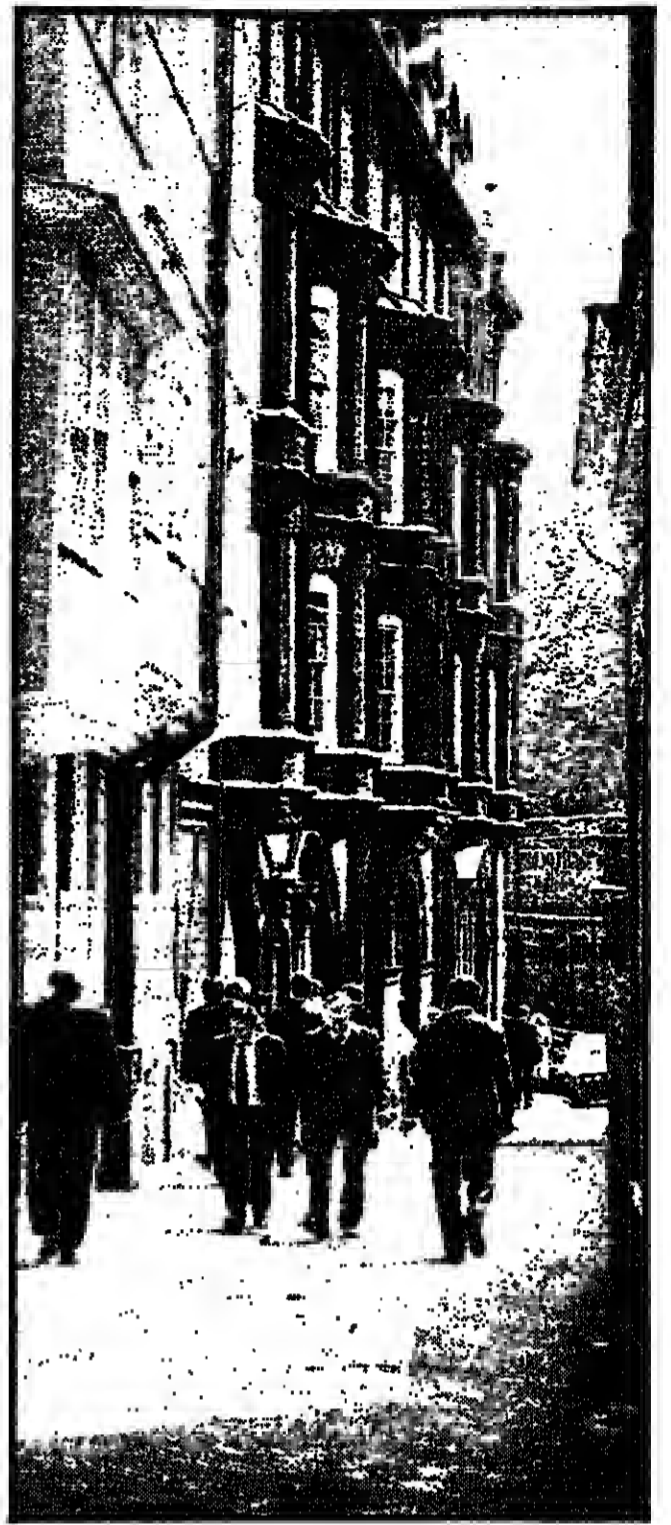
The streamlining and speeding up of court procedure is bound to be followed by a similar increase in cost effectiveness of arbitration, further accelerated by the pressure of alternative methods of dispute resolution. These are expanding, because both litigation and arbitration became too costly in terms of money and managerial time, in addition to damaging business relations through their adversarial nature.

All of this is likely to lead to a collapse of the present structures. When its own "big bang" comes, the legal profession will be forced to look across the Atlantic.

In order to survive, solicitors will have to offer a complete service, and to be able to do so will merge or associate with large firms. This will not exclude the continued existence of highly specialised small firms, which will provide services similar to those of barristers at present.

Barristers, who have already tested the advantages of direct access (and of contingency fees) when acting for or advising foreign clients, are likely to trade willingly their court monopoly for direct access to domestic clients.

As a result, successful solicitors will employ young barristers in their offices, and successful barristers will build up offices employing not only clerical staff but also qualified solicitors. In this way, the fusion of the profession will be brought about—and the client and the state, as the principal paymaster, will jointly determine the pace of the transition.



Pictures: Trevor Humphries

In the Middle Temple

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Chartered Accountants

The Legal Profession 3

In the provinces

Legal aid is the common grouse

"THERE IS a big bang in the legal profession, it will never be the same again," says David Biart, the senior partner of a Chichester firm of solicitors.

The firm calls itself a provincial solicitors practice, but there are many who would not recognise the firm as such, because, in some ways, it has more the air of a city solicitors' office than a comfortable country practice.

It has 23 partners, three offices—in Bournemouth, Chichester, and Paris—and the experience of everything from financial services to community law and corporation finance. Such provincial firms are still in the minority but some solicitors believe they will gradually replace the traditional firms of provincial solicitors.

Not everyone goes along with David Biart's big-bang theory, and there are thriving traditional practices around the country which stoutly maintain they are under no pressure to change.

It is mainly the large firms that have the desire and capacity to follow the trend for specialisation. The Law Society's analysis of fee income from different categories of work for 1985 shows a direct relationship between the size of a firm and the work it does.

The smaller the firm, the greater the proportion of domestic conveyancing; the larger the firm, the greater the proportion of commercial, company and specialised work.

Solicitors who believe the days of the general practitioner are numbered maintain that the change has been brought about by solicitors' loss of the conveyancing monopoly, the increasingly complex and diverse nature of the law, and solicitors' newly won right of audience in the High Court. "People have to realise that the profession has changed. An individual solicitor is not going to be able to advise on a wide range of subjects. The public have to accept that they will have to be referred by a sole practitioner. The service will be just as good, but different. To a certain extent, over the past 200 years, solicitors have acted as social advisers and even social workers. It's not going to be possible for that to happen any more," says David Biart.

It isn't only commercial pressure that is encouraging some provincial solicitors to specialise. Following the Jasmine Beckford inquiry report, A Child in Trust, the Law Society has decided that from the end of this year, in order to sit on panels of solicitors acting for children, lawyers will have had to attend an approved practical training course beside having to comply with the four-stage criteria already set out by the Society. The Society also insists that only solicitors with a minimum level of experience sit on panels dealing with mental health.

While recent correspondence in the Law Society's Gazette shows that many people mourn the passing of the general practitioner in favour of the specialist, there are many traditional provincial solicitors' firms left.

Barbara Rees is senior partner of one such firm in Swansea. Unlike the new-style firms, hers is scattered between six offices manned by seven partners and two articled clerks. Most of their work is of the traditional kind—the conveyancing, although Barbara Rees happily handles work outside her normal field.

"It's just another job, although I wouldn't consider myself practiced enough to deal with, say, company law," she says. But Barbara Rees maintains that her firm is doing well, and cites as proof the fact that they have recently opened a new branch office.

Money, or lack of it, from the legal aid system is the common grouse which unites all provincial solicitors. "Solicitors complain about the amount of legal aid and about the time it takes to be paid under the system. The Law Society estimates that, over the past four years, the demand for legal aid has grown by 44.52 per cent, while the number of solicitors dealing with it have gone up by a mere 8.66 per cent. Most solicitors feel hard done by; and, as they point out, that can't be good news for the public. It is inevitable that, if the Government is not prepared to pay the real cost of legal aid, the public will suffer," says David Biart.



John Bailey, Procurator-General and Treasury Solicitor, considers the work of a government lawyer more interesting than any other legal job, though the response to currently advertised vacancies is disappointing

In Whitehall

Akin to a large City solicitors

WHEN THE Bar surveyed the incomes of barristers handling criminal legal aid cases, it was to the salaries of lawyers working in government that it looked for a comparator.

This was one of the rare occasions when a spotlight was turned, albeit briefly, on one of the least-known sections of the legal profession.

Scattered throughout the Whitehall departments are nearly 800 lawyers who comprise the legal civil service, advising on every aspect of the law as it affects government, doing the initial spadework on Bills, drafting secondary legislation—regulations and orders made under powers conferred by statutes—and, in some cases, handling litigation on behalf of the Crown.

They include barristers and solicitors in roughly equal numbers. "I don't think we distinguish between barristers and solicitors—'at least' I hope not," is the diplomatic comment of John Bailey, head of the legal civil service and himself a solicitor, who rejoices in the title of Procurator-General and Treasury Solicitor. Law, he says, has become increasingly important in government. Over the past 30 years, there have been tremendous changes, particularly in the growth of administrative law affecting the relationship between the Crown and individuals. Some indication of the status of lawyers in the Whitehall

hierarchy is given by the statistic that 11 per cent of places in the top three Civil Service grades—Permanent Secretaries, Deputy Secretaries and Under Secretaries—are taken up by legal civil servants.

At the heart of the service is the 153-strong Treasury Solicitor's Department. It does all Crown conveyancing and handles litigation for most government departments. Treasury Solicitor also advises the Cabinet Office and the Treasury, and its staff serve in outstations at the Defence Ministry, Education and Science, Transport and Energy departments.

John Bailey regards his department, which last year dealt with between 20,000 and 30,000 matters (including 10,000 pieces of litigation) as akin to a large City solicitors' firm, though with even more extensive interests.

Divided about equally between advisers, conveyancers and litigators, his staff range wide in their work: from family law, through Admiralty law, immigration, deportation and extradition, town and country planning, to employment law— to mention only a part of it. Their remit also embraces the Monopolies and Mergers Commission, charity matters, official secrets, public inquiries and Crown contracts. The work of a government lawyer, claims Bailey, "is more interesting than any other legal job." Note the less recruitment

is currently a problem. Apart from the perennial constraints imposed by money and staffing levels, the legal civil service, like private law practices, is feeling the effects of the approaching Big Bang.

Like everyone else, the Civil Service is looking for the best legal brains. "We can't recruit as many able people as we would like," says Bailey. His department has lately been advertising 48 vacancies in lower-grade posts, offering salaries up to £25,000, and has been concerned by the relatively small response.

While not as immediately affected as lawyers in private practice by the winds of change blowing through the legal world, the civil service lawyers have not been unharmed.

A working group has been looking at the way Whitehall's lawyers operate, with a view to making them more efficient and time- and cost-effective.

"A law firm sees themselves—in the sense that they are not part of the legal civil service under the aegis of the Treasury Solicitor—are the legal advisers at the Foreign and Commonwealth Office. Members of the diplomatic service, they provide the expertise in the field of public international law that is central to the UK's relations with other states. Once, the Foreign Office was the exclusive preserve of barristers, but today, like their colleagues in the home civil service, they divide about equally between the two

branches of the profession. Nineteen are based in the UK, though likely to spend some considerable time travelling to various parts of the world as part of government teams.

Four others are stationed abroad; one each in Brussels and New York, covering the EEC and the UN, and two more in Bonn and Berlin, where the UK retains post-war four-power responsibilities.

Apart from handling cases brought against the UK under the European Human Rights Convention and in the International Court in the Hague (the European Court of Justice in Luxembourg is the province of the Treasury Solicitor), the concerns of the Foreign Office lawyers are with the plethora of international treaties to which the UK is a signatory.

There is the task of drafting and interpreting and advising on the legal implications of such matters as the bilateral negotiations with the French over the channel tunnel, the nuclear non-proliferation treaty, and investment protection agreements.

In the aftermath of the shooting at the Libyan People's Bureau, it was they who had to tackle the delicate problems of diplomatic law and the status of foreign diplomats. During the Falklands conflict, the FO's lawyers became, literally, Whitehall's legal warriors, advising the government on the law of war. Raymond Hughes

In the City

Shaping up for the Big Bang

IT HAS been a good year for the City, and a very good year for City solicitors.

The problems of country and suburban practices facing up to competition in conveyancing and low fees for criminal legal-aid work are light-years away from the world of contested takeovers by big corporations, and from the necessary legal preparations for implementing the Government's privatisation programme.

The run-up to the Big Bang this autumn is providing plenty of work for the large firms that have been advising the potential players on what will, and will not, be possible within the framework drawn up by the Government and the City bodies.

The combined effect of those three key areas on the fortunes of City firms must amount to a near bonanza, although such is the discretion of the partnership form that outsiders do not know just how good it has been. The firms, while admitting their good fortune, also point to some of the issues that have been thrown up by the big increase in business. One of these is management. Firms are organised traditionally on the basis of specialisation—although some are anxious not to let individual partners overspecialise to the extent that they cannot advise clients on a range of areas. Each partner has a target to meet, set annually after discussion about the possibilities. And there are functional responsibilities allocated to partners: for example, new business, recruitment, office equipment.

Most business and industrial organisations, however, would spot immediately the need for some form of management system to be introduced, particularly to cope with the growth in opportunities, and the prospect of new developments which will increase competition. Some firms admit that the low emphasis placed on management in the traditional structure poses problems.

The usual competitive weapons are not all available to solicitors. Restricted by rules limiting the presentation of their experience and specialisations, many firms have resorted to the production of rather sober brochures, setting out simply what they are able to do. Competition between solicitors, however, could be dwarfed by movement on other fronts which is beginning to make itself felt. City firms, naturally, pride themselves on their legal advice. But many also advise on other things, such as pensions, share ownership schemes, tax, etc. They realise that this is an area where they would like to increase their presence, but they are in danger of being pushed aside, notably by accountants.

Legal experts are also being poached from City firms by accountancy firms, to increase the effectiveness of the services that the latter can offer. This raises some possibly dire prospects, in the eyes of some solicitors, particularly if the Government decides to apply pressure to the professions to relax their rules regarding mixed partnerships. This means that accountants would be able to take solicitors into partnership, and vice versa. The fear, however, is that accountants, with their greater financial muscle, would emerge the stronger. These possibilities are only just beginning to surface. More immediately, City firms are reconciling themselves to the chance that this past year has seen an extraordinary peak in their workloads. The relatively new element of resort to the courts by companies involved in contested takeovers, for instance, is not likely to go on. But there will still be plenty of legal work required in the more stable aspects of corporate activity, British and international, banking, shipping, intellectual property rights, etc. In the meantime, if London establishes itself along with New York and Tokyo as the key financial centre following the Big Bang, there will be substantial spin-off, probably after a settling down period. Meanwhile, privatisation continues, with the Government trying to spread around its workload a bit more—until recently, three firms—Slaughter and May, Freshfields, Linklaters & Paines—have taken the lion's share. With all that is going for them, perhaps it is not surprising that possible changes in the legal and other professions do not get much attention. Hazel Duffy

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COMPETITION POLICY

How the UK got left behind

Reform of the schools

FOR THE first time the British Government's Education Bill yesterday began to look like a serious and coherent attempt at the reform of the state school system that will start to be implemented in the near future.

The bill has been described before as the highest educational reform since the Butler Act of 1944, but to the confusion of the teachers' dispute the quarrels between the local authorities and the Department of Education and the arguments about funding, that claim seemed somewhat ambitious. It was an aspiration rather than a firm promise.

Unions search for a new role

THERE IS a surprisingly optimistic feel to many of the union conferences now under way at seaside resorts around Britain. Union activists sense that they have weathered the storm of the last few years; they may be battered but they are still there.

Yet, as the wiser heads in the union movement realise, the idea that unions might once more enjoy the conditions they cherished in the 1960s and 1970s is an illusion.

"THE DIFFERENCE between the EEC and the British competition authorities," said a lawyer last week, "is the difference between a policeman and a traffic warden."

The Office of Fair Trading, by added, lacks not just sanctions but spirit. And he tells his clients, if possible, to seek redress in Brussels.

Men and Matters

became the executive director responsible for the commercial vehicle division, Land Rover - Leyland.

BL faces new Day

One of several senior management changes we can expect at BL following the arrival of Graham Day as chief executive was announced yesterday.

Andrews, aged 51, not only escaped the substantial management shake-up which followed BL's financial collapse in the mid-1980s, but also the purges after Sir Michael Edwards took over as chairman late in 1977 bringing with him his famous psychological tests for managers.

industry—the fact that in many sectors the bulk of output was produced by only a few companies. Merger had been a common reaction to the earlier unravelling of collusive agreements.

The third phase of competition policy, from the mid-1970s, has involved the extension of restrictive practices legislation to the services sector and the start of an attack on time honoured but inefficient practices in the professions.

By Michael Prowse

member state was materially affected. Recent decisions however suggest they may apply even if trade is only potentially affected.

Life in Heaven

This is not a good time of the year in which to make appointments to see mandarins of the Japanese civil service.

Watershed

This might set a useful precedent. Saudi Arabia has just settled a territorial dispute between two Persian Gulf states by the simple, if novel, proposal that the disputed land should be divided out of existence.

Clearance sale

The financially-strapped Philippines government has decided to put some of its deposited president Ferdinand Marcos' favourite luxuries up for sale. The catalogue will include expensive cars, foundering hotels, and a palace made mostly of concrete built for the 1981 visit of Pope John Paul II—which the pontiff rejected as too opulent.

Live and learn

A reader who gave a talk on adult education to his local Women's Institute tells me that his self-esteem was quickly deflated by a report of the event in the WI bulletin.

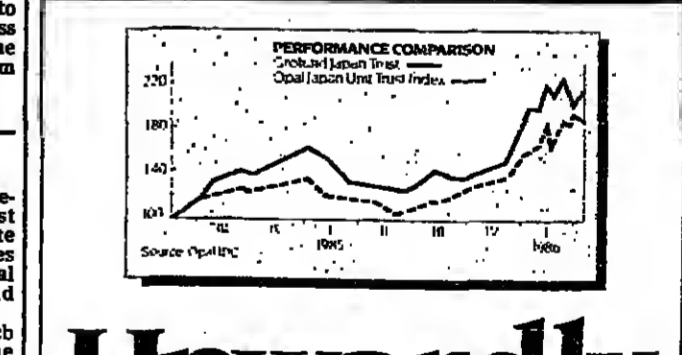


Sir Gordon Borrie: hampered by existing legislation

Cadbury Schweppes and J. Lyons. An agreement which effectively prevented Cadbury manufacturing (or purchasing from other sources) more than 57 per cent of its sales of citrus concentrates was deemed not to be a restriction on trade.

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Observer logo and other branding elements at the bottom right of the advertisement.



behind

"YOU REALISE you are in one of the worst seats of power in France," says Roger Martin with a big grin as he stands in the quiet garden of the Mont-Saint-Martin town hall...

"This is one of the hotbeds of the new Communist dissidence together with the towns of Blois and Fontainebleau and Homecourt in this department of Meurthe-et-Moselle," adds Martin...

These days, Martin is no longer so proud of carrying his party badge. For he is one of a growing breed of French Communists worried by their party's leadership and direction...

During the last 22 years, the Communists, once the largest party in the French Left with up to 25 per cent of the vote...

Party membership has fallen sharply. Although the leadership claims that there are more than 700,000 members...

Membership reached a peak of 900,000 in 1947. By the end of 1978 it was officially put at 790,000 and in 1982 at 710,000. The circulation of L'Humanité...

FRANCE'S COMMUNISTS The 'renovateurs' gatecrash the party

By Paul Betts, recently in Mont-Saint-Martin

completely stupid," Mr Mouton told a recent meeting in Paris organised by Communist assistants.

That meeting and subsequent statements by Mr Martin and other dissidents reflect the intense degree of conflict within the French Communist Party...

Dissidents have written articles in the non-Communist press. They have organised meetings and have sought through petitions and lobbying to persuade the party to hold an extraordinary congress to review its policies.

The Communist dissidents have become known as "renovateurs" or reformers. Their slogan is the party's former spokesman and a member of the central committee...

The "renovateurs" have sought to push the party away from Moscow and towards what has become known as the "Euro-left" following the failure of Eurocommunism.



Roger Martin: fears decline will continue

Mr Martin says that like Mr Juchoux, he does not want the party to retreat into its shell and become isolated from political life.

Until the party's 28th Congress last year, dissidents like Mr Martin had criticised the party only from within. But they were thrust into the open after the Communist leadership sought to put the lid on all internal criticisms...

However, under pressure from the growing dissident movement, Mr Marchais, the party's secretary, has agreed to hold an extraordinary congress.

Nonetheless, the question of succession remains. Party leaders have traditionally been the presidential candidates in France.

Either man, if chosen, is not expected to make sweeping changes in policies. Mr Marchais, personal dauphin, Jean Claude Goyssot, also has an outside chance of being chosen as a candidate...

popular former Communist minister. For the dissidents, the combination of the party's policy about-turns, its ties with Moscow, its ambiguous position on issues like Poland and Afghanistan, and its autocratic leadership style are to blame for the Communist decline in France.

The Communist leadership is mounting a new campaign to try to halt the latest and increasingly vocal campaign of dissent against its policy and management of the party.

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Some disenchanted Communist voters will go to the Socialist; others will go to small left-wing political groups; others will simply go and look after their garden if there is no change, he warns.

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Economic co-operation Why Tokyo's indicators are so important

By John Williamson

IN ECONOMIC terms, at least, the Tokyo summit was the most substantive since Bonn in 1973. Unlike Bonn, however, the main achievements are important for the future, rather than for any horse-trading to alter policies in the near term.

There was, for example, no agreement on whether the yen should appreciate more or whether Japan and Germany should expand domestic demand.

Last week's international monetary conference in Boston revealed that the differences on these issues remain as sharp as ever.

The principal commitment is to specify objectives and forecasts for a series of variables that have been christened "indicators".

One strategic choice is whether to give priority to commitments regarding the instruments of fiscal and monetary policy or to the objectives (growth, inflation, employment and in the medium run the balance of payments).

vastly overdetermine the system: only by improbably good forecasting or incredibly good luck will the planned policies embodied in some of the indicators result in the planned outcomes of the others.

An overdetermined set of indicators may serve as a trigger for consultation but it cannot be used as an early trigger for policy action.

One strategic choice is whether to give priority to commitments regarding the instruments of fiscal and monetary policy or to the objectives (growth, inflation, employment and in the medium run the balance of payments).

These rights are archaic

From Mr M. A. Tory
Sir,—It seems curious that large vendor placings such as that recently undertaken by DCC Corporation should attract so much controversy when UK companies routinely, and without comment from institutions or the press, issue shares equivalent to as much as 100 per cent of their existing capital as consideration for acquisitions of other UK corporations.

Percentage interests in a corporation are clearly of little interest to investors in the public market. Investor on whose behalf criticisms of vendor placings are put forward; they are of concern only to larger, institutional shareholders wishing to serve their interests over the managers of UK companies.

Letters to the Editor

These (and others) represent the defensive arguments but it is essential to devise a more constructive European strategy as I have tried to do in my forthcoming book Sunrise Europe. The total European consumer electronics market, currently about £10bn, is more than double that in Japan and represents the most important market for the electronics industry in the world.

How Moscow's streets are kept clean

From Mr G. H. Vassilichkov
Sir,—Patrick Cockburn's reasons for the relative cleanliness of Moscow's streets (as compared to London) are incomplete and misleading (June 3).

Water industry and the Labour Party

From the MP for Houghton (Lab)
Sir,—In your editorial "Cold water on privatisation" (June 4) you state that the Labour Party is committed to renationalising the water industry.

Personal tax reform

From Mr J. Porter
Sir,—In his article on the Chancellor's personal tax reform plans (May 29) Michael Frowe argued in support of independent taxation and put forward the view that there was no rationale for giving a married person access to a tax allowance or other benefits simply because they were married.

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UK money supply figures dash rate hopes

By George Graham in London

A SURGE in the UK money supply yesterday dashed hopes of an immediate cut in interest rates and sent bond and share prices tumbling.

Sterling M3, the broad measure of money, rose an estimated 3 per cent in the May banking month, the Bank of England said yesterday.

Officials conceded that the rapid growth of sterling M3 was unhelpful. They said it reinforced the need to weigh monetary targets against other indicators of monetary conditions.

M0, more favoured by the Treasury than by analysts outside government, rose in banking May up to 1/4 per cent, bringing its growth to 3 1/2 per cent during the previous year.

Among the counterparts to sterling M3, bank lending fell back from the high levels reached in March and April, when companies were bringing forward their investments in anticipation of the ending of capital allowances.

The unexpected sharp rise in bank deposits by the private sector, which increased by an underlying £2.5bn in banking May, was mainly in sight deposits, with current accounts buoyant and high interest personal accounts continuing to attract significant inflows.

The immediate effect of the disappointing figures for money supply growth was to strengthen the pound, as dealers saw the prospect of an immediate interest-rate cut receding.

Fermenta talks for Montedison

Continued from Page 1

SKR 700m after the acquisition at the end of last year of SDS Biotech in the US.

From being a producer of basic penicillin, Fermenta grew through a rapid series of acquisitions into one of the world's leading bulk antibiotics producers.

Brussels to seek wider role in nuclear safety

BY TIM DICKSON IN BRUSSELS

The European Commission was set last night to agree a controversial five-point plan, which, if accepted by EEC member states, would significantly extend its competence in the field of nuclear safety.

The new Commission initiative is partly in response to a request from the Council of Ministers last month for new proposals on basic health standards and emergency procedures after Chernobyl.

Member states, notably France and Britain, have tended to be sensitive about outside attempts to control their own nuclear industries.

To back up its case, the Commission points out that Community powers have barely been extended since the Euratom Treaty was signed in 1957, and yet, since that time, 100 new nuclear power plants have been built.

The full Takeover Panel last night criticised N. M. Rothschild, merchant bank advisers to Woolworth Holding in its fight against the £1.8bn (£2.4bn) bid from Dixons, for allowing Woolworth to produce a profit forecast and property revaluation last Friday that was "materially deficient".

The pressure on the OFT's manpower adds a fresh twist to the current competition policy debate in the UK. Last week, Mr Channon announced that his department was to conduct a review to be completed as soon as possible.

UK Monopolies Commission to examine bid for Wedgwood

BY LIONEL BARBER IN LONDON

THE BRITISH Government yesterday referred the £149m (£23m) hostile bid launched by London International Group, the consumer products and contraceptive business, for Wedgwood, the fine china manufacturer, to the Monopolies and Mergers Commission.

Mr Paul Channon, Trade and Industry Secretary, cleared several other important bids, including the £1.8bn contested offer by Dixons, the electrical retailer, for the Woolworth Holdings store chain.

whether emission and information standards should be applied to nuclear installations as they already are to other industries and pollutants.

Procedures to be followed in a crisis. The International Atomic Energy Agency (IAEA) is working on that, but the Commission proposes that the Community should also take its own steps.

International action. The Commission believes there is greater scope for Community action.

Research. Money is likely to be set aside for new programmes.

The Commission admits that the new proposals would significantly increase its powers. But while they may run into opposition from Britain and France, they will be received more sympathetically elsewhere.

Protection of health, including a review of basic standards under the Euratom Treaty, the possibility of Community-level inspection and new radioactive tolerance levels for contaminated foodstuffs.

The high unemployment, together with Germany's virtually zero inflation rate and growing trade surplus, is cited by US officials in particular as evidence that Bonn should move to stimulate domestic demand.

The Government rejects that argument, saying budget consolidation comes first and that, in any case, it still expects to have one of the highest economic growth rates among Western countries this year.

German growth slows in first quarter

By Jonathan Carr in Frankfurt

WEST GERMAN economic growth slowed markedly in the first quarter this year, casting new doubts on official forecasts of about 3.5 per cent expansion for the whole year in real terms.

The Federal Economic Ministry blamed the slowdown partly on the unusually cold winter weather and said it was confident that growth would pick up again this quarter.

However, the news is likely to be used, not least in the US, as new evidence that Germany needs to boost economic expansion and thus indirectly help fuel growth in other countries.

The federal statistical office said real GNP in the first quarter was 1.6 per cent higher than in the same period of 1985, after a year-on-year increase of 2.4 per cent in the last quarter of 1985. First-quarter GNP actually fell by 1 per cent against the 1985 last-quarter result.

Private consumption was relatively buoyant and is likely to pick up further as the year wears on. But state consumption and investment in plant and machinery dropped in real terms against the end-1985 period.

Moreover, although the number in employment rose by almost 250,000 in the first quarter against the same period last year, there were also more people seeking jobs. As a result, the number of unemployed remained at an average of more than 2.5m.

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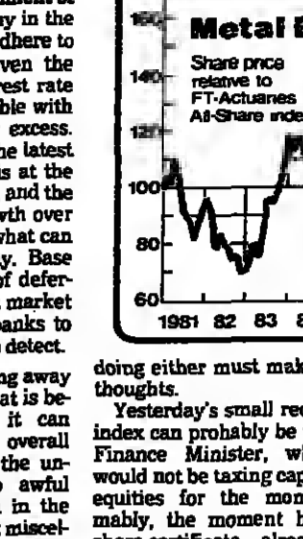
THE LEX COLUMN Summer deluge in Lombard St

No matter how unfeasible it has become to demand fulfillment of monetary targets - not many in the City of London these days adhere to the original faith - not even the most free-and-easy of interest rate optimists can feel comfortable with a thoroughgoing monetary excess.

Bank lending is still ripping away at £1.7bn a month, but as that is below the recent average, it can scarcely be blamed for the overall deterioration. Neither can the underfunding of a non-too awful FSRR.

The initial upward movement in sterling was recognition that London was not going to be able to move against a tightening of international interest rate conditions. The authorities have some ground to make up in their funding programme, and a general steepening of yield curves is no environment in which to recover the back-log.

When a market falls by a third in a little over a fortnight, foreign investors usually run for the exit or for the way in. In the case of Italy, the settlement system is still so chaotic that the opportunity cost of



Yesterday's small recovery in the index can probably be traced to the Finance Minister, who said he would not be taxing capital gains on equities for the moment.

Recent results from electronic component companies have disappointed, so Electrocomponents shares have been twitchy over the past week.

The company's stated aim is to increase the proportion of its profits from new businesses, particularly in the US. But these have produced growth only in sales, with the result that Electrocomponents is more than ever reliant on the original RS Components business for maintain-

ing profits growth. RS has continued to steam ahead on 40 per cent gross margins, while adding about 1,000 new product lines. There seems little reason why RS should not continue to grow at historic rates, as it is only slightly exposed to the boom and bust of the semiconductor cycle.

Perhaps the company should put all its efforts into what is essentially a highly successful mail-order business, and desist from overseas expansion and new ways of shifting products. This year it should hit £42m, putting the shares on a multiple of less than 15, hardly demanding given the strength of the core business.

In the past five years, Metal Box has doubled its return on capital and its sales per employee, de-gearred its balance sheet, pulled cash out of South Africa and reorganised a wasteful management structure.

The highlight of yesterday's figures was the collapse of profits from earning tomatoes from growers in the Mezzogiorno who have lost their subsidies. Leaving aside this £9m swing, Metal Box appears more than ever a business that has made great progress in cutting costs and reorienting its operations, but is still canning for cash in mature markets.

Until the plastics packaging venture with Alcoa in the US starts earning, and the Petalain (a coat plastic can has solved its recycling problems, Metal Box will be chasing growth from reorganisation of buying in earnings. Even with the example of Reed in mind, this scarcely suggests a steep re-rating in store.

Italy When a market falls by a third in a little over a fortnight, foreign investors usually run for the exit or for the way in. In the case of Italy, the settlement system is still so chaotic that the opportunity cost of

Italy When a market falls by a third in a little over a fortnight, foreign investors usually run for the exit or for the way in. In the case of Italy, the settlement system is still so chaotic that the opportunity cost of

Table with weather forecasts for various cities including London, Paris, Rome, and others.

UK backs French call

Continued from Page 1

The US had already imposed "non-restrictive" quotas on candy, beer and several other EEC products last month in retaliation for limitations on US grains and oilseed exports to Portugal and Spain.

Unrest boosts metal prices

Continued from Page 1

At some leading pension funds, the only new income to be invested is coming from dividends and interest payments, rather than from contributions.

Advertisement for Ferranti computers, featuring sections like 'Clarion calling', 'Periscope display', 'Steering Sauro', and 'The good news is FERRANTI Selling technology'.

Large vertical advertisement on the right edge of the page, partially obscured, mentioning Peugeot and other brands.



Peugeot angry at state plan to rescue Renault

BY PAUL BETTS IN PARIS

PEUGEOT, the French private-sector car group, is increasingly concerned over plans to bail out Renault, the troubled state-owned motor manufacturer, with financial support that would amount to between FF 15bn and FF 20bn (\$2.12bn-\$2.82bn).

month in the first half of last year, but is still suffering from its huge debt burden. Peugeot has not hidden its annoyance at Renault's aggressive marketing strategy in the domestic car market, which brought it a 32.5 per cent market share last month, compared with slightly less than 30 per cent for Peugeot.

Metromedia may sell paging and cellular telephone operations

BY PAUL TAYLOR IN NEW YORK

METROMEDIA, the US conglomerate headed by Mr John Kluge which has been selling its broadcasting interests, has hired Morgan Stanley, the Wall Street investment firm, to study the possible disposal of its extensive radio paging and cellular mobile telephone operations.

and long-distance telephone business. Its telecommunications operations had sales last year of \$226.6m. The company did not elaborate on its apparent change of mind. Metromedia is the nation's largest paging company with about 500,000 customers. Its cellular telephone operations, concentrated in New York City and five other metropolitan areas in the heart-east, are considered particularly valuable franchises.

It might also enable the regional Bell Telephone holding companies, already active participants in the paging and cellular business, to increase their grip on the mobile communications industry. Under the Federal Communications Commission (FCC) cellular licensing procedures, metropolitan areas were each allocated a Bell-owned franchise and a competing "non-wireline" cellular operator.

Magazine publisher lifts bid for Blair

By William Hall in New York

MACFADDEN Holdings, a closely held New York publisher whose magazines include True, Confessions and Modern Romances, has raised its bid for John Blair, the US communications group which last week agreed to a friendly \$900m takeover by a company controlled by Mr Saul Steinberg, the financier.

Ugly duckling turns to gold swan

BY OUR NEW YORK STAFF

A WEALTHY Saudi Arabian family, a Gulf state's investment arm and a colourful Hungarian-born entrepreneur now living in Canada, are among the leading players in a fast-growing Toronto gold-mining company which has caught the imagination of the international investment community.

If the company goes ahead with plans to build a mine near Kirkland Lake, northern Ontario, annual output will rise by another 100,000 oz by the end of the decade. Barrick's head office - an elegant town house in Toronto's most fashionable shopping and hotel district - gives a clue to its unusual background.

"We couldn't run a mine", Mr Munk says, "but we could help them with financial strategy." One rugged Canflo man, Mr Bob Smith, is now Barrick's chief operating officer. Barrick has left the day-to-day management of three mines in the hands of more experienced equity partners, in two cases well known Canadian mining companies.

three years ago. According to Capel's recent report: "The acquisition of the Mercur mine stands as the success story of the North American gold scene of the past five years." Vehicles and other equipment at the mine were still under manufacturers' warranty at the time Barrick bought it.

SMH profits more than double

BY WILLIAM DULLFORCE IN GENEVA

SMH (Société Suisse de Microélectronique et d'Horlogerie) Switzerland's biggest watchmaking group, yesterday reported net consolidated earnings of Sfr 60.4m (\$32.8m) for 1985, up by Sfr 33.9m, and a 13.6 per cent climb in turnover to Sfr 1.6bn.

rate of the dollar, in which close to half of watch products is quoted, SMH had been able to maintain sales at the same level as last year during the first five months of 1986, and the year's results would be better than those of 1985, Mr Pierre Arnold, chief executive, said.

viding employees with a stake in the company, Mr Millet said. He is leaving the chairmanship after completing his three-year mandate and will be replaced by Mr Hayek. SMH's recovery is charted in the consolidated results for the past three years. The net result has shifted from a loss of Sfr 173m in 1983 to profits of Sfr 27m in 1984 and Sfr 60m last year.

Akzo takes half share in Madrid group

By Laura Reina in Amsterdam

AKZO, the Dutch chemicals and fibres group, is taking a 50 per cent stake in Industrijs Quimicas Madrid, the joint division of the Madrid-based Uralita group. Proctor, including its Bruguer unit, is the largest coatings supplier in Spain, with shares in construction, do-it-yourself and industrial markets. Sales were Fl 190m (\$76m) last year.

Alfa Romeo's losses increase

By James Burton in Rome

ALFA ROMEO, the Italian state-controlled car maker in which Ford of the US has expressed an interest in buying a stake, last year increased its losses by 150 per cent. Group sales declined 7 per cent. The total loss for 1985 amounted to L245bn (\$190m) against L97.8bn in 1984.

Control Data plans \$350m securities sale

BY OUR NEW YORK STAFF

CONTROL DATA, the struggling Minneapolis-based computer and computer products group which last September was forced to cancel a \$300m securities offering at the last moment, has disclosed plans to return to the capital markets with a \$350m securities package aimed at raising funds to pay back debt.

and \$100m of 25-year convertible debentures through First Boston would mark a milestone in Control Data's battle to pull back from the brink of financial disaster. The group's major problems arose from the collapse of its computer peripherals business in 1985.

Control Data said it expected to receive \$140m from the previously announced sale of its Tickertron computerised ticket service to an investment group led by Allen and Co. That deal, announced last month, is expected to be closed soon.

Control Data said the proceeds of its planned debt offerings, with the anticipated proceeds of a new trade receivables facility and the sale of the Tickertron unit, would be used to repay bank debt currently the subject of restructuring negotiations.

Republic Airlines \$200,000,000 Credit Facility. Participants: Citibank N.A., Security Pacific National Bank, Continental Illinois National Bank and Trust Company of Chicago, Algemene Bank Nederland N.V., Barclays Bank PLC, First National Bank of Minneapolis, Crocker National Bank, Marine Midland Bank, Northwest Bank Minneapolis, N.A. May 15, 1986 CITIBANK

Swedish market surge boosts bank's profits

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SVENSKA Handelsbanken, Sweden's second-largest commercial bank, boosted group operating profits by 80 per cent in the first four months of the year to SKr 1.13bn (\$157m), from SKr 633m in the same period a year ago.

gains on the sale of parts of their bond portfolios. Interest margins have also been improved. Bank share prices have risen faster than any other sector on the Swedish stock market this year with a rise of almost 70 per cent by the end of May compared with an increase of 36 per cent in the general index.

F. van Lanschot Bankiers N.V. (Incorporated with limited liability in The Netherlands) Australian \$40,000,000 12 1/8 per cent. Notes due June 1991. BankAmerica Capital Markets Group, County Bank Limited, Rabobank Nederland, Algemene Bank Nederland N.V., Banque Nationale de Paris, CIBC Limited, EBC Amro Bank Limited, Kredietbank International Group, J. Henry Schroder Wagg & Co. Limited, F. van Lanschot Bankiers N.V., Orion Royal Bank Limited, Bankers Trust International Limited, Banque Paribas Capital Markets Limited, Credit Suisse First Boston Limited, HandelsBank N.W. (Overseas) Ltd., Samuel Montagu & Co. Limited, Standard Chartered Merchant Bank Limited.

INTL. COMPANIES & FINANCE

Nesbitt to raise C\$80m for expansion

By Bernard Simon in Toronto

NESBITT Thomson, one of the most profitable Toronto investment dealers, plans to raise about C\$80m (US\$57.5m) through a public offering to give it the resources to compete more aggressively for international underwriting business.

Mr Brian Steck, president, said the firm is also planning acquisitions in the financial services sector. Nesbitt gained a foothold in the US last year by buying Fabnestock & Company, a small New York investment bank and stockbroker.

The extra infusion of capital will make Nesbitt Canada's third largest securities firm with capital of about C\$40m.

Six other Canadian firms have taken advantage of the strong stock market and buoyant business conditions to go public in recent months.

Cofide plans fund raising exercise

By ALAN FRIEDMAN IN MILAN

COFIDE, the ultimate holding company of Mr Carlo De Benedetti, is to tap the Milan bourse for L360bn (\$234m). The fund-raising exercise, which is to be followed by a convertible equity-linked bond issue for a so far unspecified amount, comes just a few weeks after Mr De Benedetti's other major holding vehicle, CIR - itself controlled by Cofide - announced a \$350m share issue.

Part of the Cofide proceeds are to be used to subscribe for part of the CIR issue, part to pay for the recent acquisition of Latina, a small Italian insurer and part for acquisitions. These will be aimed at realising Mr De Benedetti's dream of developing an Italian-based financial services company in Europe.

Cofide, through CIR, controls a 15.7 per cent stake in Olivetti (soon to rise to 20 per cent), the Buitoni

foods group, the Davigel frozen fish distributor in France, and a 20 per cent stake in Valeo, the French car components group, as well as interests in Italian publishing and manufacturing.

Cofide's principal shareholders include Mr De Benedetti (51 per cent), Indosuez Group (7 per cent), Shearson Lehman Brothers American Express (4.9 per cent), S.G. Warburg and its Swiss subsidiary Societe (1 per cent), plus Lombard Odier, the Swiss private bank, and Dreyfus Corporation.

PHB Weserhütte

PHB Weserhütte says that while its parent company may go in the red this year it confidently expects that domestic group operations will show a profit.

East Asiatic buys US food operation

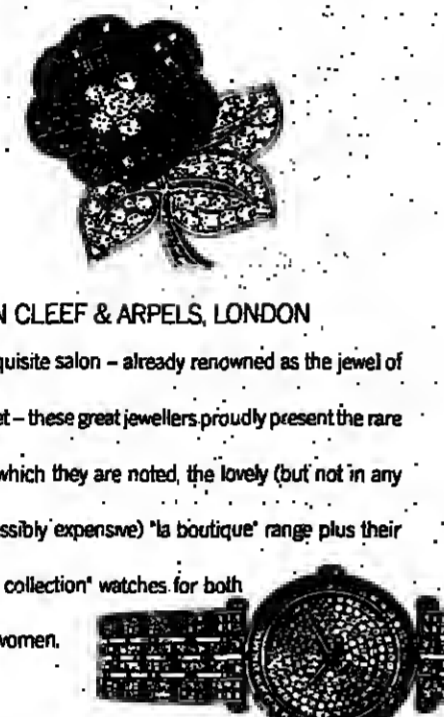
By Hilary Barnes in Copenhagen

EAST ASIATIC, the Danish international trading and industrial group, has bought the American DAK Foods Inc., a subsidiary of the British Prestige Foods Corporation.

DAK Foods, which until 1979 was in Danish ownership, has three meat-processing plants and a substantial sales organisation in the US and a turnover last year of about \$120m. East Asiatic is paying Prestige \$17m for the business.

East Asiatic, through its Plumrose division, already has a meat-processing and marketing operation in the US with a turnover last year of about \$160m.

This is the first acquisition made by East Asiatic after three years during which it has fought back to profitability after sustaining heavy losses.



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Dated the 3rd day of June, 1986.

G. HABER, Director.

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June 11, 1986, London.
By: Citibank, N.A. (CSI Dept), Agent Bank **CITIBANK**

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New Issue • May 15, 1986

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First Interstate Capital Markets Limited	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Lévesque, Beaubien Inc.	McLeod Young Weir International Limited
Merrill Lynch Capital Markets	Rabobank Nederland
Société Générale	S. G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale	Wood Gundy Inc.
Yamaichi International (Europe) Limited	Yasuda Trust Europe Limited

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New Issue May 1986



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INTERNATIONAL COMPANIES and FINANCE

Money centre banks challenge rules on commercial paper business

By William Hall in New York

SOME TIME over the next few weeks a US Federal appeals court in Washington is expected to hand down a decision which could have far-reaching consequences for US commercial banks in their long-running battle to become more heavily involved in the investment banking business.

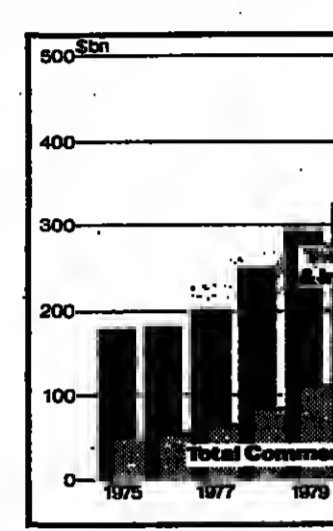
The case in question is the seven-year old dispute between the Securities Industry Association (SIA), which jealously guards the interests of its investment banking members, and Bankers Trust, a leading money centre bank, over whether a commercial bank is allowed to distribute commercial paper.

The big attraction of commercial paper, which is sold in the form of unsecured promissory notes, is its cheapness. In April, for example, the average rate for three-month CP was 6.60 per cent, which was 223 basis points below commercial bank prime lending rates.

There was less than \$50bn of commercial paper outstanding in the US 10 years ago. Today, the figure is close to \$900bn. It has been increasing almost twice as fast as the banks' traditional corporate lending over the last decade, with the result that the banks' share of the short-term credit market has been dropping at an alarming rate.

Bankers Trust has been the most persistent of the money centre banks. It distributes paper for close to 70 customers, including Coca-Cola, ITT and Unilever. Even so, it only has about 2.5 per cent of the market. If the investment banking community had its way, Bankers Trust would be blackballed from the commercial paper business altogether.

pursuing Bankers Trust since 1979, claiming that the sale of commercial paper was prohibited by certain provisions of the Banking Act of 1933. Commonly referred to as the Glass-Steagall Act, this reflected a widely-held view that the depth of the financial crisis of the 1930s was attributable in large measure to the extensive participation of commercial banks in speculative investment banking activities. In order to restore confidence in the banks, Congress barred commercial banks from doing investment banking business.



The case is proving to be a case celebre in the battle between US commercial and investment banks, and has implications which go well beyond the commercial paper market.

The case has already wound its way up to the Supreme Court once and looks as though it will eventually end up there again. The Supreme Court ruled in June 1984 that commercial paper was a security but did not rule on whether Bankers Trust could bring buyers and sellers of commercial paper together without violating Glass-Steagall.

He offerings" under Federal securities law. However, the District Court has challenged the Federal Reserve's decision arguing that the Fed asked "the wrong question" when it determined that Bankers Trust's commercial paper business did not violate Glass-Steagall. In February, the District Court in Washington ruled that Bankers Trust's private placement of commercial paper did violate Glass-Steagall. Bankers Trust is continuing to operate in the commercial paper market pending an appeal, the outcome of which is expected shortly.

Mr Dick Breedon, a lawyer who headed vice-president Bush's task force on reforming the US financial system, says that if the lower court ruling is upheld it will be "a very serious problem" which "could present a long-run threat to the health of the banking industry". He says that there is the potential for "a tremendous flight of our commercial paper business and private placement of securities, which under the language of this opinion are indistinguishable from commercial paper, out of the US and into foreign markets."

While there is considerable argument about the potential impact of an adverse ruling in the Bankers Trust case, probably the most important long-term result will be to signal once and for all whether the Glass-Steagall act remains relevant in today's banking environment. Much of the deregulation of US banking so far has come through favourable official interpretations of legislation.

"If the court finds against Bankers Trust, it will be saying that any further deregulation would have to do something Congress would have to do," says Mr Waldner. Most bankers still expect that the barriers to their entry into investment banking will be relaxed, but it is looking increasingly likely that they are going to have to rely on Congress rather than on the sympathetic interpretations of the US courts.

be the purpose of the Glass-Steagall act. It is an argument that has struck a sympathetic cord with US bank regulators, who are nervously aware that the flight of high-quality borrowers from the banks is occurring against a backdrop of record loan losses. Equally worrying for the banks are the wider implications of an adverse ruling by the Federal Appeals Court on the Bankers Trust appeal. If the lower court ruling is upheld banking experts believe that it could jeopardise other types of private placement activities conducted by US commercial banks.

Mr James Waldner, of Rogers & Wells, the New York law firm which represents the SIA, says that "if the decision of the District Court is affirmed in the Appeals Court, it could prohibit banks from dealing in other securities such as industrial development bonds and could well prevent the private placement of any number of securities."

The current account deficit was cut from 1.1 per cent to 7.7 per cent of GDP, not very far short of the agreed target, while state company prices increased by only 5 to 10 per cent, well short of the planned 15 to 25 per cent.

While relations between Morocco and the World Bank have been fair to date, the same has not been the case with the International Monetary Fund, which has been making greater efforts to tighten its belt. Morocco has missed a number of targets it has agreed with the IMF over the past five years and there is a widespread perception among bankers and other creditors of Morocco that senior Moroccan take too much for granted.

IMF stops standby loan payments to Morocco

By Francis Gillis THE International Monetary Fund (IMF) has frozen any further disbursements from an SDR 260m (\$172m) standby loan it granted to the Kingdom of Morocco last September because of disagreements about economic targets. Only SDR 10m has been disbursed to date and a fresh round of negotiations is expected to start before the end of June.

With a foreign debt of nearly \$140bn and gross foreign exchange needs of \$2.4bn this year, Morocco can ill-afford to let its relations with the IMF deteriorate. The present difficulties could also delay the rescheduling of Morocco's bank debt for 1985-1986, which was due to be discussed in London early next month.

Last year Morocco succeeded in cutting its budget deficit from 8.1 to 6.1 per cent of gross domestic product but reduced the state sector's share to Moroccan-owned companies by only one-third to 31.8 per cent. Domestic credit grew by 17 per cent compared with the 19.1 per cent target, though the Moroccan central bank argues that a 26 per cent increase in term deposits partly offset the inflationary effects of this.

The \$400m par-converted bond pays 4 points over the mean of three-month London interbank floating-rate notes (FRNs). This market too was jolping nervous yesterday, however, as retail investors snapped the US bank issues, which lost up to 20 basis points in price in secondary trading.

Nervous fixed-rate sector finds Denmark issue tight

By Clare Pearson

GOLDMAN SACHS International launched a \$300m fixed-rate bond for Denmark yesterday as the market traded nervously after an overnight sell-off in New York.

With the market deteriorating, the 8 1/2 per cent five-year bond met a weak response from investors. The lead manager quoted a bid price of 98 1/2, compared with an issue price of 100 1/2. This was outside the level of its 2 per cent commissions.

Dealers said that the bond's net spread of 55 basis points over five-year US Treasury bonds at issue was tight since there is an outstanding seven-year bond for Denmark yielding at least 10 basis points more.

French industry. The 20-year bond pays 1 per cent over three-month London interbank offered rate and is priced at par. It has warrants attached which are exercisable into a 7 1/2 per cent Euro bond at Ecu 11 each. This may be exercised from August this year for one year either by tendering the best FRN or by a cash payment.

The FRN itself is callable at par at any interest payment date. During the first year, though, it is callable in the same proportion as the warrants are exercised, keeping the outstanding debt at Ecu 200m. The fixed-rate bond is callable at 104 in 1988, and then at declining premiums.

Salomon Brothers launched a rare issue of warrants into an outstanding Eurobond. The 100,000 warrants are priced at \$25; each exercisable in a 10 per cent issue for Canada which matures in 1995.

In the D-Mark market prices moved down by about 1 point in light turnover. In the Swiss franc sector prices also moved down slightly in light turnover. There was one new issue: a SFR150m five-year equity warrants bond for Denisse Kagaku Kogyo, the Japanese chemical company. The issue was priced at par and the indicated coupon was 11 per cent. The bond will be priced on June 16.

In the French franc sector, Credit Commercial de France launched a FRF900m bond for Air France, delayed last week because of the weak state of the market. Despite continuing market weakness, Air France's adjustable-rate bond was well-received.

The host 10-year bond, priced at 101, pays interest at 10 basis points over the annualised yield on a medium-term state paper. This gave an initial coupon of 8.53 per cent. The bond is callable from 1987 at par. It is convertible into a fixed-rate 7 1/2 per cent 10-year bond which is callable from 1993 at 101, and then at declining premiums.

DM 300m Midland floater

MIDLAND BANK is raising DM 300m through a 12-year floating rate note (FRN). The issue, which ranks as subordinated debt, will enhance the capital backing for Midland's D-Mark Treasury and lending operations.

The bond pays 4 point over three-month London interbank offered rate, and is callable from June 1991 at par. Trinitas AG, Frankfurt, is also the only FRN in the June new issues calendar.

FT INTERNATIONAL BOND SERVICE

Listed are the 300 latest international bonds for which there is an adequate secondary market. Closing prices on June 10

Table of international bonds with columns for Bond Name, Issue Size, Coupon, Maturity, and Price. Includes entries like American Express, British Telecom, and various European issues.

Table of floating rate notes with columns for Bond Name, Issue Size, Coupon, and Price. Includes entries like Citicorp, Deutsche Bank, and others.

Table of convertible bonds with columns for Bond Name, Issue Size, Coupon, and Price. Includes entries like American Express, British Telecom, and others.

Notes and disclaimers regarding the bond service, including information on how to obtain more data and the source of the information.

Global share offer from US clothier

By Alexander Nicol

BERNARD CHAUS, a New York-based clothing company, is making a share offering of which a quarter is to be distributed in Europe. Mr and Mrs Bernard and Josephine Chaus, the chairman and president respectively, are selling one-third of the company to the public, and the intention is to list the shares on the New York Stock Exchange.

The global share offering, of which 4.5m shares are being sold in the US and 1.5m in Europe, is being led by Merrill Lynch and Bear Stearns. The price is expected to be between \$14 and \$17 per share, and will be set around the end of June.

The company designs and markets business and leisure wear. Chaus has had sales of over \$200m and pre-tax profits of \$30m in the nine months to the end of March.

Sumitomo Bank wins MoF ruling

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance has agreed to allow Sumitomo Finance (Asia), a Sumitomo bank subsidiary based in the Cayman Islands, to engage in securities business overseas.

Approval in effect means a relaxation of a 1974 ruling drawn up by the Ministry of Finance, which had securities and international finance bureau which prevents a bank's wholly-owned subsidiary from undertaking securities business.

Sumitomo Bank wins MoF ruling

These operations are now viewed as competitive enough internationally, and the MoF has thus decided to drop the restriction in order to promote financial deregulation and internationalisation.

The decision also indicates that it may soon finalise another agreement among the three-bureau made in 1975 which prohibits bank subsidiaries overseas from lead-managing foreign bonds issued by Japanese companies.

Advertisement for Olympia & York Water Street Finance Corp. featuring details on U.S. \$435,000,000 8 1/4% Secured Notes Due 1996 and U.S. \$113,250,280 Zero Coupon Secured Notes Due 1996. Includes a list of financial institutions and a photograph of a modern building.

Vertical text on the right edge of the page, including names like Bear, Drexel, Montgomery, Shearson, Allen & Co, and Rothschild.

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June, 1986

UK COMPANY NEWS

Signs of return to growth boost Metal Box shares

SHARES IN Metal Box, the packaging and central heating group, rose sharply yesterday—up 5p to 805p—on better-than-expected figures for the year to March 31 1986 and indications that the group's long period of rationalisation is over.

Geevor dives into the red

Geevor Tin Mines dived into the red in the year 1985-86. For the period to March 31 the company incurred a loss before tax of £1.1m, compared with a £1.04m profit previously.

Costain raising £62m for expansion

By Alice Rawthorn. Costain, the industrial housing group, is asking investors for £62m in a one-for-five rights issue. The proceeds of the issue will be used to expand the company's interests in mining, house building and property.

Wedgwood profit surges to £19.5m

ON TRE day that its fight to stay independent was referred to the Monopolies and Mergers Commission, Wedgwood has announced a 29 per cent increase in pre-tax profit and a 38 per cent lift in dividend in respect of the year ended March 29 1986.

group's share of the home market, and for the second year running, record sales were produced by the marketing subsidiaries in Australia, Canada and Japan.

Exxon makes debut in London

By MAX WILKINSON. Exxon, the world's largest oil company with sales of \$21.7bn last year, was traded on the London Stock Exchange for the first time yesterday.

there were good prospects. In the last 25 years he said, the world's oil industry had made disappointingly few major oil finds, even in places where geologists said discoveries were possible.

USM place for Campbell Armstrong

Campbell & Armstrong, the national shopfitter, is being floated on the USM through a placing of 1.22m ordinary shares at 110p a share. The issue price puts a £7.3m value on the group, of which the non-executive chairman is Professor Roland Smith.

The company has recently added 20,000 square feet to its Levenshulme plant and Mr Brian Mackerness, the managing director, plans to expand the range of customers and to move into systems fitting. The latter may necessitate a small acquisition.

Osborne & Little jumps 63% to £1.2m

Osborne & Little, which designs and sells wallpaper and furnishing fabrics, lifted pre-tax profits by 63 per cent over £763,000 to £1.24m for the year ended March 31 1986.

Notable increases in turnover were achieved in Europe and Australasia. Sales to the US were down, because the company has been holding back since January 1983, the distribution of new collections, pending the start of its operation there.

Task Force to join USM

By Richard Tomkins. Task Force Group, a computer personnel agency, is joining the Unlisted Securities Market at a value of £5.2m through a placing of 1.3m shares at 40p a share.

With stated earnings per 5p share ahead from 6.55p to 10.94p, the company is recommending a final dividend of 2p making a 3p total. This represents a 50 per cent increase over the 2p total for the 1984-85 year that, as mentioned in the prospectus, would have been paid had the shares been publicly held throughout that year.

Osborne & Little has already established a hold over the Sloane Ranger market and the New York showroom, opened last week, is building on this by appealing to America's Yuppie O & L has held back showing collections in the US in preparation for this launch—hence the slowing of sales growth in America. However, with half the start-up costs of the new showroom already taken against profits, a good contribution from New York should be expected this year.

BCE Development Corporation advertisement. Cdn. \$300,349,998. 66,744,444 Units. Each unit consisting of one Common Share (without par value) and one half Cdn. \$5.50 Common Share Purchase Warrant. Issue Price Cdn. \$4.50 per Unit. International Offering of 4,460,000 Units.

NOTTINGHAM BRICK PLC advertisement. 1986 INTERIM RESULTS - UNAUDITED. 6 months to 31st March 1986: Turnover £4,418, Profit before tax 730, Earnings per share 4.39p, Dividends per share 2.00p.

Granville & Co. Limited advertisement. Member of The National Association of Security Dealers and Investment Managers. 8 Lovat Lane, London EC3R 6BP. Telephone: 01-421 1212.

HODGSON HOLDINGS plc advertisement. Placing by ANZ MERCHANT BANK LIMITED of 2,758,997 Ordinary shares of 5p each at 85p per share. SHARE CAPITAL £750,000 in Ordinary shares of 5p each. Issued and now being issued fully paid £442,482.

UK COMPANY NEWS

Rapid response to Blackwood offer

BY LIONEL BARBER

BM Group, the construction industry supplier, last night said it would raise its offer for Bedford Concrete Machinery after Blackwood Rodge, the earth-moving and mining equipment supplier, appeared as a late white knight for Bedford.

Under Takeover Panel rules, BM must now produce a revised offer equivalent to the price it paid for shares in the market yesterday. This nullifies acceptances received for its earlier offer which amounted to 38 per cent on Monday night.

Liberty Life expands UK investment trust side

By David Goodhart

Liberty Life, the third largest life assurance company in South Africa, is further expanding its UK interests through its 58 per cent owned subsidiary, Transatlantic Insurance Holdings.

Hillsdown makes £10m 'reinvestment' in Ferruzzi offshoot

BY LIONEL BARBER

Hillsdown Holdings, the food and furnishing manufacturer, has spent around £10m on acquiring a small share stake in Agricola Finanziaria, the quoted subsidiary of Ferruzzi, the privately owned Italian food and agricultural group.

"We want to show that we are serious about getting into Europe and we think Ferruzzi is a very fine company," he said.

MS Int. sells major part of Laurence Scott

By Terry Garrett

MS INTERNATIONAL, the mining equipment and electrical engineering group, yesterday announced the disposal of a large part of the Laurence Scott's electromotors business to FKI Electricals for £11m.

Recommendation of Wardle bid for RFD

NON-EXECUTIVE directors of RFD Group, the industrial company, yesterday recommended shareholders to accept a previously contested £28m bid from Wardle Stores, the plastic sheeting company.

emerge before the Wardle offer closed on June 10. The Scapa offer involved a possible management buy-out for RFD's non-textile businesses, and because of this complication RFD felt that executive directors should not advise shareholders about the Wardle terms.

Westminster Press sells publisher to Argus

BY RAYMOND SNOODY

Westminster Press, the provincial press group, has agreed, subject to contract, to sell its Rawlings & Walsh (Chertsey) division to the Argus Press Group.

a subsidiary of Pearson, publishers of the Financial Times, designed to increase the subsidiary's level of profit.

Table with 5 columns: Company Name, Current Payment, Date, Corres. Total, Last year. Lists companies like Atkins, Bradford, Bradstock, etc.

Table with 5 columns: Company Name, Current Payment, Date, Corres. Total, Last year. Lists companies like J. A. Devenish, Electrocomponents, etc.

Loss-maker CPS sold

CPS Computer, the loss-making distributor which has seen its share value plummet over the past two years is to be taken over by Swiss company Interdata, a Swiss company dealing in computer leasing and technical inspection.

Business Mortgages: The licensed deposit taker specializing in film plus loans on commercial properties with a tourism bent in the Southwest is raising £2.8m through an issue of 8.8 per cent cumulative preference stock.

COMPANY NEWS IN BRIEF

BRADFORD PROPERTY Trust increased its pre-tax profits from £10.46m to £11.85m in the year to April 5 1986. The final dividend is increased from 5.25p to 6.3p net for a total of 10.5p (8.5p). Assets per share are 61.9p.

BOARD MEETINGS

- Interline: TODAY
Camford Engineering: June 24
Rasburn Investment Trust, Williamson: June 17

Advertisement for CASSA DI RISPARMIO DI TORINO. Features three columns of annual reports for 1983, 1984, and 1985, showing total assets, deposits, and income. Includes the slogan 'A BANK THAT BELIEVES IN DEVELOPMENT GROWS EVERY YEAR'.

Advertisement for CASSA DI RISPARMIO DI TORINO U.S. \$50,000,000 NEGOTIABLE FLOATING RATE CERTIFICATES OF DEPOSIT DUE 24 APRIL 1991. Lists various international banks as lead managers and arrangers.

UK COMPANY NEWS

“A strong UK base, a growing presence in the USA and position in the West German market, provide opportunity and challenge for the future”

reports Tony Chubb, Chairman

Group sales up 21.7%
Pre-tax profit up 19.0%
Earnings per share up 28.2%

- RS continues to derive major benefits from Weldon investment.
- Integration of new subsidiaries in USA and West Germany proceeds to plan.
- Market conditions in 1986 show modest improvement over late 1985 but competitive pressures continue.
- Good prospects for continued growth in our existing businesses and we continue to seek new opportunities.

Comparative Results	Year to 31.3.86	Year to 31.3.85
	£'000	£'000
Group sales	199,688	164,024
Profit before tax	35,215	29,587
Taxation	14,179	13,087
Profit attributable	20,960	16,347
Earnings per share	20.8p	16.0p

Dividend
 Proposed final dividend of 4.35p making a total for the year of 6.25p (5.25p previous year), an increase of 19.0%.

Copies of the Report and Accounts will be available from the Secretary, Electrocomponents plc, Harrier House, St. Albans Road East, Hatfield, Herts. AL10 0HE from 8th July, 1986.



Growth rate slows at Electrocomponents

OVER THE year ended March 31 1986 the growth rate experienced by Electrocomponents, the distribution group, has slowed down, as expected. But the pre-tax profit still shows a lift from £29.59m to £35.22m, while shareholders receive a 1p increase in their dividend. A final of 4.35p makes 6.25p.

Mr Tony Chubb, the chairman, remains confident in the future growth potential of existing businesses, and says the group will continue to seek new opportunities.

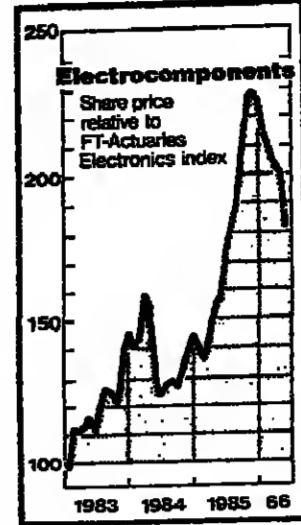
The sales increase of 22 per cent, to nearly £200m (£164m), and the pre-tax rise of 19 per cent, compare with advances of 27 per cent and 33 per cent respectively achieved last time.

In the first half of 1985-86 sales showed a 22 per cent

increase, while the pre-tax profit growth was 26 per cent. The chairman says RS Components continues to benefit significantly from investments at Weldon and new product introductions. Other subsidiaries performed less satisfactorily, but they should pick up.

Softness in market conditions reported at mid term was evident until early 1986, since then they have improved modestly but inconsistently.

Gross profit for the year came out to £73.99m (£63.08m) and net interest received was up to £828,000 (£620,000). After tax £14.18m (£13.09m) and minorities £76,000 (£58,000) the net profit works through at £20.96m (£16.35m) for earnings of 20.8p (16p) per share.



See Lex

ANNUAL MEETINGS Pleasurama hit by casino downturn

Pleasurama warned yesterday that its results for 1986 were bound to be affected by a downturn in London casino operations which Mr N. Solomon, the group's chairman, mainly attributed to "the well-publicised reduction in the number of foreign visitors."

Addressing the annual meeting the chairman said that action was being taken to counter this, and that the company would fully maintain its share of the London casino business" and be well positioned to take advantage of an upturn.

Elsewhere, he said that provincial casino, amusement machine, holiday hotel and general leisure interests were all trading at satisfactory levels in relation to both budget and the equivalent period of 1985.

In 1985 Pleasurama's profits (already reported) were a shade over £37.5m pre-tax on turnover of £160.1m compared to £25.25m and £108.45m respectively for the previous 15 months.

At the Combined English Stores Group annual meeting shareholders were told by Mr M. Gordon, the chairman, that despite poor weather Salisbury handbags, Alens chemists and the Biba fashion group in West Germany were performing well.

Collingwood, the jewellery subsidiary, found conditions more difficult in the early part of the year although trading had improved in recent weeks. Eurocamp, the travel division, had again achieved record bookings and "will almost certainly produce another substantial increase in profits," the chairman said.

In March the group reported a rise from £9.25m to £12.4m in pre-tax profits for the 1985-86 year.

Mr T. A. Maher, chairman of Pentas, said at yesterday's AGM that "trading continues to be in line with our expectations and for the year as a whole we should show a material improvement on last year."

Merger boost for Devenish

THE ACQUISITION of Inn Leisure has made a major impact on the half-time figures of brewer J. A. Devenish, and on a merged basis its pre-tax profit for the six months ended March 31 1986 has surged 37 per cent, from £914,000 to £1.25m.

Mr R. S. Hargreaves, the chairman, says previous interim statements have been fairly insignificant because of the seasonal nature of the Devenish trade. However, Inn Leisure is not subject to the same influences, he points out.

He says the last six months have been very active and he is sure the changes made and those taking place will be of benefit to the company and its shareholders.

The merger with Inn Leisure (effective from March 10) has brought together the long established brewing and largely tenanted public house entities of Devenish (principally located in Dorset, Devon and Cornwall) with that of the retailing expertise and high volume managed public house

and wine bar operation of Inn Leisure, mainly situated in town centres.

Mr Hargreaves says, as with most mergers, certain changes have taken place and it is inevitable that others will follow.

Mr M. R. Cannon has been appointed chief executive of the group—he was chairman of Inn Leisure, Mr J. W. Clark becomes group finance director, and Mr F. R. Smith managing director of the Devenish operating companies. Mr E. W. Ludlow, group managing director, has resigned.

On a merged basis, sales for half year rose 16 per cent, from £13.13m to £15.28m, while the operating profit surged nearly 49 per cent, from £1.12m to £1.67m.

The attributable profit comes to £803,000 (£663,000) which, this time, comprises £61,000 combined post merger, £140,000 pre-merger from Devenish and £602,000 pre-merger from Inn Leisure. Earnings are 9p (6.7p) and the interim dividend is again 2.75p net.

comment

Inn Leisure's reversal into J. A. Devenish in March may have been called a merger, but the injection of Inn Leisure's chief executive and finance director into the combined group and the breakdown of profits growth between the two makes it clear the majority of the company's 344 tenanted houses, into managed ones. It is probably too early to expect the benefits to show through in the current year so the Devenish contribution will probably not go far beyond last year's £2.1m, but the continued development of Inn Leisure's operations and the fact that its suburban London pubs are largely unaffected by the tourism downturn suggests that combined, the group should achieve £4.5m. With shares up 30p at 890p, however, even the robust profits growth hardly justifies a prospective p/e of 25, double the sector average.

Carr's Milling ahead despite competition

Despite intense competition in its baking and flour-milling activities, Carr's Milling Industries has announced a rise in pre-tax profits from £810,000 to £865,000 in the six months to March 1 1986.

Total sales for this Carlisle-based company moved ahead to £37.11m (£32.61m), with external sales 14.8 per cent better at £31.57m (£27.99m).

The interim dividend is unchanged at 1.75p. In 1984-85, when profits of £1.28m were achieved, a 6p total was paid. Net earnings for the half year are shown 1.1p lower at 33.1p.

The annual feed business continued to make progress, says Mr Ian Carr, the chairman. Baking and flour milling both did well notwithstanding the competition, and, he adds, it was a period made more difficult by the lack of suitable home-grown wheat due to the failure of the 1985 harvest.

The group is currently trading satisfactorily, but because of the seasonal nature of some of its interests, the directors expect the second half profit to be less than that achieved in the first.

THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REQUIREMENTS OF THE COUNCIL OF THE STOCK EXCHANGE

BUSINESS MORTGAGES TRUST PLC
 (Incorporated in England under the Companies Act No. 719923)

The Business Mortgages Trust Group's principal business is the provision of medium and long term first mortgages loans to businesses in the United Kingdom. Its assets presently exceed £83 million.

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Robert Wigram & Co. and Gilbert Elliott & Company

Application has been made to the Council of The Stock Exchange for the above Preference Shares to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange 600,000 of the Preference Shares are available in the market on the date of publication of this advertisement.

Listing Particulars have been circulated in the Extel Statistical Services and copies may be obtained during normal business hours, for collection only, until 13th June, 1986 from the Company Announcements Office of The Stock Exchange, London EC2. Copies may also be obtained during normal business hours on any weekday (Saturdays excluded), up to and including 25th June 1986 from:

Robert Wigram & Co. Princes House, 95 Gresham Street, London EC2V 7LS
 Business Mortgages Trust PLC, Salisbury House, 26 Lockyer Street, Plymouth, Devon PL1 2OW
 Gilbert Elliott & Company, Salisbury House, London WC2M 5SB

11th June 1986

This announcement appears as a matter of record only

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June 1986

BANQUE PARIBAS

U.S. \$200,000,000

Undated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the three months interest period from 11th June, 1986 to 11th September, 1986 the undated Securities will carry an Interest Rate of 7 3/4 per annum. Interest due on 11th September, 1986 will amount to U.S. \$18.85 per U.S. \$1,000 undated Security.

Morgan Guaranty Trust Company of New York
 London Agent Bank

GENOSSENSCHAFTLICHE ZENTRALBANK AKTIENGESELLSCHAFT
 Vienna

U.S. \$50,000,000 Floating Rate Subordinated Notes Due 1992

For the three months 11th June, 1986 to 11th September, 1986 the Notes will carry an interest rate of 7 1/4 per cent, per annum.

Interest payable on the relevant interest payment date, 11th September, 1986 against Coupon No. 20 will be U.S. \$92.64.

Listed on the Luxembourg Stock Exchange.
 By: Morgan Guaranty Trust Company of New York, London Agent Bank

BRADSTOCK GROUP PLC
 Insurance and Reinsurance Broking Group

Unaudited half year results to 31 March 1986

Highlights compared to 31 March 1985:

	£'000	%
● Turnover	4,689 up	37%
● Profit before tax	2,440 up	73%
● Profit after tax	1,422 up	109%
● Earnings per share	11.9p up	102%
● Dividend per share	2.20p up	26%

(1.75p comparable figure quoted in Offer for Sale document in July 1985)

	Half year to 31 March 1986	Half year to 31 March 1985	Year to 30 Sept 1985
Turnover	4,689	3,426	7,049
Profit after tax	1,422	681	1,686
Earnings per share	11.9p	5.9p	14.5p
Dividend per share	2.20p		3.75p

(per share net) (per share net)

Copies of the Interim Report are available from:
 The Secretary, Bradstock Group PLC
 18 London Street, London EC3R 7JP

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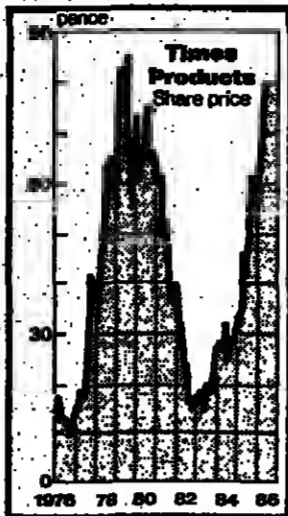
PARK HOUSE, 22 PARK STREET, CROYDON CR0 0YH

UK COMPANY NEWS

Hong Kong reorganisation pushes Time Products to £4m

A DOUBLED contribution from the reorganised Hong Kong operation has helped Time Products to lift its pre-tax profit from £2m to £4.15m in the year ended January 31 1986. The year has largely been one of consolidation, the directors point out, ensuring the operating divisions are well placed to expand and develop over the coming years. The debt equity ratio is also considerably improved. They say the changes within the group over the last couple of years are starting to bear fruit and they view the future with confidence. The group is engaged in the manufacture and distribution of watches and jewellery. It holds sole UK concessions for several watch makers and operates over 100 jewellery shops. A final dividend of 1.5p lifts the net total to 2p (1.5p) reflecting the year's result and the directors confidence in current trading levels. In the year, turnover rose from £49.82m to £59.85m, and the profit before finance costs to £5.2m (£4.62m). Finance

costs were cut to £1.04m (£1.81m). **Comment** Time Products has lower interest rates, debt reduction and cost savings to thank for the size of this year's profits rise. The Hong Kong subsidiary, Remex, had greatly reduced interest obligations even though trading profits fell marginally. After three years of angst, Time should now have the measure of Remex as a £2.5m pre-tax a year business for which in a year or so's time either a flotation or offers might well be sought. Rationalisation chopped £1m off the turnover of House of Lipkin, the rings and pearls company purchased in January 1985, so that this time of the £3.5m UK sales increase, some £2m came from the acquisition. Lipkin's profits were enough to cover the £300,000 or so interest costs of the purchase price. Otherwise UK performance was rather flat, especially in retailing, although the Russian-made Sekonda watches continue to provide a solid base for the company's more esoteric pro-



Time Products Share price

ducts which inevitably sell on a rather erratic basis. This year £5m is a reasonable target, which has the shares at 79p trading on a modest multiple of 10.

Atkins Brothers tops £1m in record year

Record operating profits from its textiles activities and substantial progress in its electronically-controlled display systems businesses, has enabled Atkins Brothers (Hosiery) to announce a record £1.1m in pre-tax profits for the year ended March 31 1986, against a previous £312,000. With turnover up 36 per cent to £19.06m (£13.99m), Mr Bill Dawson, the chairman, states that the results well justify the board's policy of seeing off the bid approach received earlier this year. The directors are recommending a higher final dividend of 5.5p (4p) which will lift the total to 7p (3.5p). Stated earnings are up from 5.79p to 18.71p. In its textile business, where all divisions increased sales during the year, a major re-organisation took place, and the directors are boding for a further improvement in profits in the current year. In the electronics division, they see the main profit growth at present coming from the display systems businesses where prospects are very encouraging. The chairman says their strategy is to move profitability considerably ahead in the next few years. This will be achieved by a combination of improved performances from existing businesses and a careful programme of acquisitions. In April it acquired Telesign. Looking ahead, the chairman says that lower energy costs and interest rates, combined with lower rates of inflation and the steady growth in consumer spending, augur well for all areas of the group. He views the future with confidence. Because of the growing importance of the company's electronics activities the directors are proposing to change its name to Atkins, to more accurately reflect current group structure. Tax for the year rose to £451,000 (£106,000) and minorities took £33,000 (£11,000).

Nottingham Brick hit by adverse weather

THE ADVERSE weather of February and March halted the progress of Nottingham Brick, and was the major factor in cutting the first half profit from £808,000 to £730,000. However, if present trends continue the directors are confident as to the satisfactory outcome of the full year. They are holding the interim dividend at 2p net and say they will give appropriate consideration to an increase in the final (next year 4.5p). Sales in the half year were £4.42m (£4.53m) and trading profit came to £715,000 (£786,000). Trading profit for the first quarter was ahead, but by March 31 had shown a reduction from £786,000 to £715,000. The directors report that the new kiln and driers at Dorket Head are in full production. The present prospects for the construction industry, and housing market in particular, appear favourable, and brick deliveries are increasing, supported by a strong order position. After tax £256,900 (£242,000) the net profit is £474,000 (£485,000) for earnings of 4.39p (4.54p) per share. For the whole of 1984-85, the group made a pre-tax profit of £2.43m.

Comment Nottingham Brick has been a market favourite for so long that the City was even prepared to accept its excuses about wet, windy weather and the share price fell by just 7p to 20p yesterday. The decline in demand in the early months of the year encouraged many brick producers, principally those at Nottingham's higher end of the market, to dump. The emergence of so many cheap bricks on the market, combined with Lord Hanson's machinations, at London Brick, will whittle away at market shares. In the short term, at least, Nottingham can counter this with increased productivity from the new, more cost-efficient plant at Dorket Head and the benefits of falling energy prices. Demand for bricks has now returned to normal levels, but the building industry has not, as Nottingham has hoped, accelerated construction activity to make up for lost time, before the end of its financial year in September. Analysts have, accordingly, reduced profit forecasts to £2.5m for the year as a whole, producing a p/e of 11.5, which should be maintained given that Nottingham, like every other brick producer, should derive some benefit from falling interest rates and the architectural trend towards post-modernism.

Bradstock up £1m at halfway

Pre-tax profits at Bradstock Group, insurance and re-insurance broker, increased by over £1m to £2.44m in the six months to March 31 1986. The directors point out, however, that the excellent performance of the opening six months will be difficult to maintain in the second half, but they are confident that the full year's results will show satisfactory progress. The group pays its first interim dividend—2.2p since its full listing last July. A payment of £7.9p was made in respect of the year to September 30 1985. Stated earnings per share rose from 5.9p to 11.9p. Group turnover for the first half was £4.89m against £3.43m. Administration expenses were higher at £2.53m (£2.51m), but investment and other income improved from £431,000 to £584,000. Tax was considerably higher at £1.02m compared with £638,000, and there was an extraordinary debit of £110,000 (£28,000 credit). The group's shares in its association company, Bradstock Blanch, were sold on March 21 1986.

CARRS MILLING INDUSTRIES PLC

Interim Statement

	25 weeks to 28 weeks to 52 weeks to 1st March 1986	2nd March 1985	31st August 1985
Sales	37,105,000	32,807,000	67,743,000
Less Inter-Company Sales of Products for Re-processing	5,732,000	5,220,000	10,526,000
Sales to External Customers	31,373,000	27,587,000	57,217,000
Profit before Taxation	885,000	810,000	1,281,000
Estimated Taxation	45,000	47,000	224,000
Profit after Taxation	820,000	763,000	1,057,000
Net Profit Attributable to the Group	820,000	763,000	1,056,000
Earnings per Ordinary Share	13.1p	14.2p	18.3p

The figures for the 26 weeks to the 1st March, 1986 and for the comparable period of the previous year are unaudited. Estimated taxation for the 26 weeks is the Advance Corporation Tax levied upon the interim dividends declared. The taxation charge of £224,000 for the year ended 31st August, 1985 covers a charge to Corporation Tax of £62,000, the balance of £162,000 being Advance Corporation Tax written off. The earnings per share are on a net basis and are based on 6,250,000 shares in issue for the 26 weeks to 1st March, 1986 and on weighted averages of 5,363,000 shares in issue for the comparable period of the previous year, and 5,784,000 shares in issue for the year ended 31st August, 1985.

Our animal feed business continued to make progress and the Agricultural Merchandising Division made a very good contribution to group profits. Notwithstanding intense competition in Baking and Flour Milling both did well in a period made more difficult by the lack of suitable home grown wheat due to the failure of the harvest in 1985. The Group continues to trade satisfactorily but it is anticipated that due to the seasonal nature of some of our interests the profit for the second half of the financial year will be less than that achieved in the first six months.

The Board have declared an interim dividend in respect of the 52 weeks ending 30th August, 1986 of 1.75p per share (interim dividend 1985 1.75p per share) on the Ordinary Share Capital of the Company. The dividend declared will absorb £108,000 of the profit and will be paid on the 11th July, 1986 to those registered as shareholders on the 27th June, 1986. Carlisle, 10th June, 1986 Ian C. Carr (Chairman)

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any shares.



BANCO CENTRAL, S.A.

(Incorporated in the Kingdom of Spain with limited liability) Ordinary shares of Ptas 500 nominal value each. Issued and fully paid 70,125,197

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In the year to 31st December, 1985 Banco Central and its subsidiaries engaged in providing banking and financial services ("the Banco Central Finance Group") made profit before taxation of Ptas 21.1 billion (£98.9 million) and had total assets at that date of Ptas 3,362 billion (£15,734.3 million). The Banco Central Finance Group has a total of 2,814 branches and offices worldwide.

Application has been made to the Council of The Stock Exchange to admit to the Official List all of the 70,125,197 issued shares of Ptas 500 nominal value each. All the issued shares of Banco Central are listed on the Madrid, Barcelona, Bilbao, Valencia, New York, Chicago, Frankfurt and Paris stock exchanges.

The Listing Particulars relating to Banco Central are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 13th June, 1986 from The Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 and on any weekday (Saturdays and public holidays excepted) up to and including 25th June, 1986 from the registered office of Banco Central, S.A. at Alcalá 49, 28014 Madrid, Spain and from:

- Morgan Grenfell & Co. Limited
New Issue Department,
72 London Wall,
London EC2M 5NL
- Quilter Goodison Company Limited
Garrard House,
31-45 Gresham Street,
London EC2V 7LH

11th June, 1986

Rowe & Pitman Ltd.,
3 Finsbury Avenue,
London EC2M 2PA

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

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Lloyds Merchant Bank Limited
Samuel Montagu & Co. Limited
Morgan Stanley International
Nocera International Limited
Salomon Brothers International Limited
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Bank of Tokyo International Limited
Banque Paribas Capital Markets Limited
Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft
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Mitsui Finance International Limited
Nippon Credit International (Hong Kong) Limited
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Wood Gundy Inc.

Application has been made to the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland for the Notes (in bearer form in the denominations of U.S.\$10,000 and U.S.\$250,000 each and in registered form in the denomination of U.S.\$10,000 and any integral multiple thereof) to be admitted to the Official List. Interest is payable semi-annually in arrears in January and July, the first such payment being due in January 1987.

Particulars of the Notes are available in the Extel Statistical Services. Copies of the Listing Particulars may be obtained during normal business hours on any weekday up to and including 13th June, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 25th June, 1986 from—

Rowe & Pitman Ltd.,
3 Finsbury Avenue,
London EC2M 2PA

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33 King William Street,
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11th June, 1986

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They just

fade away.

The fact is that the search for venture capital takes ages. And the depressing consequence is that some viable projects end up with quite unsuitable capital structures, while others are abandoned altogether—simply because decisions weren't available quickly enough. A group of major British venture capital funds agreed that this was hardly satisfactory. Hence we decided to form a unique, new organisation. The Cardiff Consortium. A joint operation, based in Cardiff, offering you one point of access to seven single or syndicated sources. And accordingly, offering you fast, clear and realistic decision making. (Not to mention highly cost-effective legal and other advisory services.) For the right kind of project, anywhere in the UK. Send us the coupon for more details. And the sooner, if we may say so, the better.

Send to: Norman Myerscough, The Cardiff Consortium, Pearl House, Greyfriars Road, Cardiff CF1 3XX.

Name _____
Address _____
Business Tel No. _____

THE CARDIFF CONSORTIUM

CHARTERHOUSE JAPHET VENTURE FUND • CITICORP VENTURE CAPITAL FUND • DEVELOPMENT CAPITAL GROUP • ENGLISH TRUST COMPANY • VENTURE LINK • WELSH DEVELOPMENT AGENCY • WELSH VENTURE CAPITAL FUND

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A. US\$30,000,000 FLOATING RATE NOTES DUE 1991 WITH WARRANTS TO PURCHASE 2,000,000 SHARES OF CUMULATIVE PARTICIPATING PREFERRED STOCK

In accordance with the provisions of the Notes, notice is hereby given, that for the initial six months interest period from June 10 to December 10, 1986, the notes will carry an interest rate of 8% per annum. The amount payable on December 10, 1986 against Coupon No. 1 will be US\$400,000 for Bearer Notes of US\$100,000 principal amount and US\$1,000,000 for Bearer Notes of US\$100,000 principal amount. US\$400,000 will be payable on each US\$100,000 principal amount of Registered Notes.

11 June, 1986 THE CHASE MANHATTAN BANK N.A. LONDON AGENT BANK.

LADBROKE INDEX 1,312-1,318 (-20) Based on FT Index Tel: 01-427 4411

FT COMMERCIAL LAW REPORTS

Assessment of arbitrators' worth

SN KURKJIAN (COMMODITY BROKERS) LTD v MARKETING EXCHANGE FOR AFRICA LTD

MEMBERS OF the board of appeal of a trade association should calculate their own fees on the basis of what is fair and reasonable having regard to the worth of an average member in their particular trade...

The buyers' approach was to take the annual remuneration of the sort of person who set as a member of a Board of Appeal and reduce it to an hourly rate after making appropriate allowances for working hours in a day, weekends, annual holidays and statutory holidays...

Mr Justice Staughton so held on an application by S. N. Kurkjian (Commodity Brokers) Ltd, buyers of cocoa, to set aside assessments by members of the Board of Appeal of the Cocoa Association Ltd. of their own fees and those of the legal adviser...

The court had to consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

HIS LORDSHIP said that Kurkjian were buyers of cocoa butter from Marketing Exchange for Africa. A dispute arose which went to arbitration and then on appeal to the Board of Appeal of the Cocoa Association.

The court had to consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

There was now a motion to set aside or remit that part of the award which dealt with the fees and expenses of the Board of Appeal. There was no allegation of impropriety or bad faith. The sellers did not take any part in the motion.

The court had to consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

approved two things: the legal adviser's charging rate of £100 an hour and the total bill of £8,750. That was inadequate consideration of the bill in view of its size and other circumstances. Mr Grace submitted that taxation by arbitrators was a different process to that carried out by taxing masters...

Mr Justice Staughton said that the court should consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

The court had to consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

The court had to consider what would be a fair and reasonable charge. Mr Grace for the board members said that the only answer was the going rate. That was relevant if there was a going rate, but an unreasonable rate did not constitute a reasonable charge.

APPOINTMENTS

Changes made at Smith St. Aubyn

Following the acquisition of Smith St Aubyn (Holdings) by King & Shaxon Holdings, the following appointments have been made to the board of SMITH ST AUBYN (HOLDINGS)...

Mr Nick Newland has been appointed to the board of KENNEDY BROOKES as group director of finance. He joined Wheeler's Restaurants in 1977. Since the acquisition of Wheeler's by Kennedy Brookes in 1983, he has been involved with all financial activities of the group.

A new chairman has been appointed to the trustees of the POST OFFICE STAFF SUPER-ANNUATION SCHEME, one of the UK's largest pension funds. He is Mr Roy Cox, chairman of the Building Societies Association and, until his retirement recently, chief executive of the Alliance Building Society.

COUNTY BISGOOD, stock jobbers, has appointed Mr P. J. K. Bisgood, Mr L. J. Corvish, Mr D. J. MacNamara and Mr N. J. Parsons directors. Mr D. Alchorne, Mr A. D. C. Ashton, Mr M. S. Brown, Mr P. C. Collins, Mr J. Dalry, Mr G. Dimock, Mr M. R. W. Hildrey, Mr S. J. E. Lewis, Mr E. K. Mason, Mr E. M. G. McAllister, Mr J. S. Palfreyman and Mr F. R. Ramay have been made assistant directors.

US\$ 100 000 000.— Credit Suisse Finance (Panama) S.A.

11 3/4% Guaranteed Notes, Series A, due 1992 and 100 000 Warrants to subscribe

US\$ 100 000 000.— 11 3/4% Guaranteed Notes, Series B, due 1992

NOTICE IS HEREBY GIVEN, pursuant to the Terms and Conditions of the captioned issues, that US\$ 1 000 000 principal amount of Series A Notes have been drawn for redemption at 101% of their principal amount. The serial numbers of the 1 000 Series A Notes of US\$ 1 000 each, drawn for redemption and representing US\$ 1 000 000 principal amount, are as follows:

The Notes drawn for redemption will become due and payable on July 14, 1986 together with accrued interest for the period from February 13, 1986 to July 14, 1986. On and after July 14, 1986 the Series A Notes so redeemed shall cease to bear interest.

As of this date, the outstanding principal amounts are: Series A Notes: US\$ 17 000 000.— Series B Notes: US\$ 83 357 000.—

Zurich, June 11, 1986 CREDIT SUISSE as Fiscal and Principal Paying Agent

NOTICE to Holders of E.L. International Limited

4% Convertible Subordinated Guaranteed Debentures due 1987. NOTICE IS HEREBY GIVEN pursuant to Section 3.06 of the Indenture dated as of December 15, 1972 (the "Indenture") relating to the 4% Convertible Subordinated Guaranteed Debentures due 1987 (the "Debentures") of E.L. International Limited, a subsidiary of Economics Laboratory, Inc. ("Econ Lab")...

ECONOMICS LABORATORY, INC. Dated: June 11, 1986

Towards cleaner air. An advertisement for Nestle's environmental initiatives, featuring a large image of a factory and a clean sky.

NESTE IN 1985

NESTE ENERGY & CHEMICALS & SHIPPING. A detailed report on Nestle's performance in 1985, including sections on Oil Exploration and Output Advancing, Chemical Division Growth, Progress in the Battery Group, and Net Shipping Sales.

...made at St. Aubyn

LONDON RECENT ISSUES

EQUITIES

Issue Price	Par	Low	High	Stock	Change	Vol	Open	Close
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00

FIXED INTEREST STOCKS

Issue Price	Par	Low	High	Stock	Change	Vol	Open	Close
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00

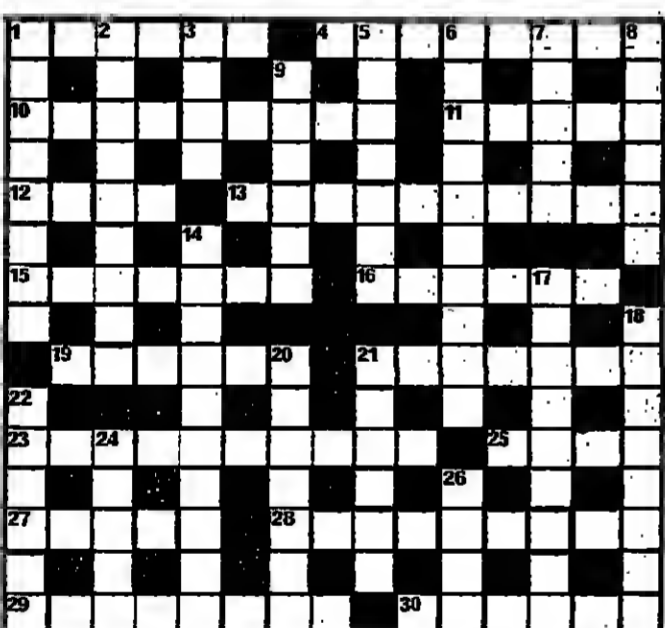
"RIGHTS" OFFERS

Issue Price	Par	Low	High	Stock	Change	Vol	Open	Close
100.00	100.00	99.50	100.50	Admiral Group	+0.50	100	99.50	100.00

Shareholders are advised that they are entitled to a dividend of 10p per share on the basis of the register of shareholders as at 31 May 1986. The dividend will be paid on 12 June 1986 to shareholders who have received their dividend warrants by post.

THE FINANCIAL TIMES
 proposes to publish a Survey on
UK ENGINEERING
 September 1, 1986
 For further information, please contact
MARK FISHER
 on 01-238 8000 Ext. 3389
FINANCIAL TIMES
 EUROPE'S BUSINESS NEWSPAPER

F.T. CROSSWORD PUZZLE No. 6,044



- ACROSS**
- Turning, saw the man murdered (6)
 - Offers to produce about ten, in iron (8)
 - I teach Pat another way to be indifferent (9)
 - Assign the middle half to Abraham's nephew (5)
 - Curse, having to return about mid-day on the 2nd (4)
 - After an apple core covered in stew, there's port! (10)
 - Dave is wrong to include running road the track (7)
 - Man on board that is a raw recruit (6)
 - Said "yes, the old soldiers are to be admitted" (6)
 - Dave is wrong to appear after a great luminary (7)
 - The old chemist twisted a chary poet (10)
 - She has the backing of a clergyman (4)
 - Are returning the article to a stadium (5)
 - Dave is wrong to include "provide the accused person" (8)
 - Put it a different way; the front door key is a gift (8)
 - Arranged to return before the man is tried (6)
- DOWN**
- Tired when carrying piano on one's arms (8)
 - Suddenly frightening a bird, Tom's first in (9)
 - It provides a sound return (4)
- Solution to Puzzle No. 6,043**
1. Tired when carrying piano on one's arms (8)
 2. Suddenly frightening a bird, Tom's first in (9)
 3. It provides a sound return (4)

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Trust Name	Manager	Issue Price	Par	Low	High	Change	Vol	Open	Close
Admiral Unit Trust	Admiral Group	100.00	100.00	99.50	100.50	+0.50	100	99.50	100.00
Admiral Unit Trust	Admiral Group	100.00	100.00	99.50	100.50	+0.50	100	99.50	100.00
Admiral Unit Trust	Admiral Group	100.00	100.00	99.50	100.50	+0.50	100	99.50	100.00

AUTHORISED UNIT TRUSTS & INSURANCES

Windsor Trust Managers Ltd
City of Westminster Assurance
Wright Gillies Fund Managers Ltd

Equity & Law
Hill Samuel Life Assn. Ltd
M & G Group

National Provident Institution - Cont
The Westminster Group
Mable Llewellyn & Partners Ltd

Provincial Life Assurance Co Ltd
Schroder Life Assurance Ltd
Scottish Amicable Investments

INSURANCES

AA Fraternity Society
Abhey Life Assurance Co Ltd
Aetna Life Insurance Co Ltd

Family Assurance Society
First Financial Services PLC
Franklin Life Insurance Ltd

IMM Assurance
Merrill Lynch Life Insurance Co Ltd
National Mutual Life Insurance Co Ltd

Prudential Assurance Co
Prudential Pension Limited
Royal Life Assurance Co Ltd

Albany Life Assurance Co Ltd
Allied Dunbar Assurance Plc
Allied Dunbar Co. Successors SIA ILL

Imperial Life Assn. Co of Canada
Imperial Life Insurance Ltd
Imperial Life (UK) Ltd

Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)

Scottish Life Investments
Scottish Mutual Assurance Society
Scottish Widows' Group

Amstar Life Assn. Co. Ltd
American Life Insurance Co
Balcas Life Assurance Co Ltd

General Accident Life Insurance Co
General Accident Life Insurance Co
General Accident Life Insurance Co

Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)

Scottish Life Investments
Scottish Mutual Assurance Society
Scottish Widows' Group

Black Horse Life Assn. Co Ltd
British National Life Assurance Co Ltd
Canada Life Group

Equitable Life Assurance Society
Equitable Life Assurance Society
Equitable Life Assurance Society

Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)

Scottish Life Investments
Scottish Mutual Assurance Society
Scottish Widows' Group

Chase & Vere Investment Ltd
City of Edinburgh Life Assurance
City of Edinburgh Life Assurance

Equitable Life Assurance Society
Equitable Life Assurance Society
Equitable Life Assurance Society

Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)

Scottish Life Investments
Scottish Mutual Assurance Society
Scottish Widows' Group

Chase & Vere Investment Ltd
City of Edinburgh Life Assurance
City of Edinburgh Life Assurance

Equitable Life Assurance Society
Equitable Life Assurance Society
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Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)
Managers Life Insurance Co (UK)

Scottish Life Investments
Scottish Mutual Assurance Society
Scottish Widows' Group

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds with columns for fund name, value, and change.

Table listing insurance and overseas funds, including sections for 'Insurance' and 'Overseas'.

Table listing money funds, including sections for 'Money Funds' and 'Money Market'.

Table listing money funds, including sections for 'Money Funds' and 'Money Market'.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas funds with columns for fund name, value, and change.

Table listing offshore and overseas funds, including sections for 'Offshore' and 'Overseas'.

Table listing money funds, including sections for 'Money Funds' and 'Money Market'.

Table listing money funds, including sections for 'Money Funds' and 'Money Market'.

TRADITIONAL OPTIONS

Table listing traditional options with columns for option name, value, and change.

Table listing traditional options, including sections for 'Options' and 'Options'.

Table listing traditional options, including sections for 'Options' and 'Options'.

Table listing traditional options, including sections for 'Options' and 'Options'.

Notes and additional information regarding the fund listings and market conditions.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak, pound firm

The dollar lost ground in currency markets yesterday amid concern over a lagging economy and Mexican debt problems while sterling finished at its best level of the day as a sharp rise in UK money supply dented hopes of an early cut in base rates.

£ IN NEW YORK

Table showing exchange rates for £ in New York, including columns for Date, Bid, Ask, and Prev. Close.

At the same time may give the Bundesbank some room for manoeuvre in response to calls for lower interest rates. The dollar rose at DM 2.190 down from DM 2.235 on Monday.

FINANCIAL FUTURES

Sharp fall

Prices fell on the London International Financial Futures Exchange yesterday as interest rate contracts failed to recover from the heavy sell off in Chicago overnight.

There were no other factors to influence the bond futures market, but the September contract opened very weak at 91.20, and fell to a low of 90.75.

POUND SPOT - FORWARD AGAINST POUND

Table showing pound spot and forward rates against the pound, including columns for Date, Bid, Ask, and Forward rates.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates against the dollar, including columns for Date, Bid, Ask, and Forward rates.

CURRENCY MOVEMENTS

Table showing currency movements, including columns for Currency, Bid, Ask, and Change.

CURRENCY RATES

Table showing currency rates, including columns for Currency, Bid, Ask, and Change.

CHICAGO

Table showing Chicago market data, including columns for Date, Bid, Ask, and Change.

STERLING INDEX

Table showing the sterling index, including columns for Date, Bid, Ask, and Change.

LONDON

Table showing London market data, including columns for Date, Bid, Ask, and Change.

OTHER CURRENCIES

Table showing other currencies, including columns for Currency, Bid, Ask, and Change.

EXCHANGE CROSS RATES

Table showing exchange cross rates, including columns for Currency, Bid, Ask, and Change.

EURO-CURRENCY INTEREST RATES

Table showing euro-currency interest rates, including columns for Term, Bid, Ask, and Change.

OTHER CURRENCIES

Table showing other currencies, including columns for Currency, Bid, Ask, and Change.

MONEY MARKETS

Money supply hits base rate hopes

Short-term interest rates rose by about 1/8 per cent on publication of the 1986 money supply in sterling M3 money supply. The London money market was expecting an increase of about 1 1/2 per cent in M3, but after several months of very sharp growth, with M3 rising at an annual rate of 39 per cent in the last three months, the sentiment remained reasonably confident.

Before lunch the authorities bought only £2m bills outright, by way of fine-tuning the band 1 at 9 1/2 per cent, and £1m bank bills in band 2 at 9 1/4 per cent.

adding £20m to liquidity, and fall in the note circulation of £25m. In Frankfurt the Bundesbank added a net DM 2.5bn liquidity to the banking system, in anticipation of money market next week.

NEW YORK RATES

Table showing New York rates, including columns for Term, Bid, Ask, and Change.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing, including columns for Term, Bid, Ask, and Change.

LONDON MONEY RATES

Table showing London money rates, including columns for Term, Bid, Ask, and Change.

London & Scottish banks' balances as at May 21 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England.

Table 1: Aggregate Balances. Shows total outstanding, change on month, and breakdown by liability type (Sterling deposits, UK private sector, etc.).

Table 2: Individual Group Balances. Shows liabilities outstanding for various banks (Barclays, Lloyds, Midland, etc.) and their assets.

Table 3: Assets and Liabilities. Shows total assets, change on month, and breakdown by asset type (Sterling, Cash and balances with Bank of England, etc.).

Table 4: Assets and Liabilities. Shows assets and liabilities for various banks (Barclays, Lloyds, Midland, etc.) and their assets.

Mikuni's Credit Ratings. Financial Information Service on Japanese Corporate Issuers. Offering credit ratings for over 2,100 bond issues by about 700 Japanese companies.

Company Notices. SCI/TECH. Registered Office: 2, Boulevard de Luxembourg, Luxembourg. Shareholders are hereby convened to the General Meeting.

Legal Notices. THE ROYAL BANK OF CANADA. Floating Rate Debentures due 2005. In accordance with the terms and conditions of the Debentures...

Office Equipment. MASSIVE CLEARANCE - Office Furniture, Desks, Chairs, etc. at 50% off.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and % Change. Includes sections for 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

AMERICANS—Cont.

Table of American Funds with columns for Name, Price, and % Change. Includes sections for 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

ENGINEERING—Continued

Table of Engineering Stocks with columns for Name, Price, and % Change.

INDEX-Linked

Table of Index-Linked Funds with columns for Name, Price, and % Change.

BANKS, HP & LEASING

Table of Banks, HP & Leasing Stocks with columns for Name, Price, and % Change.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues with columns for Name, Price, and % Change.

CORPORATION LOANS

Table of Corporation Loans with columns for Name, Price, and % Change.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans with columns for Name, Price, and % Change.

LOANS

Table of Loans with columns for Name, Price, and % Change.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails with columns for Name, Price, and % Change.

AMERICANS

Table of American Stocks with columns for Name, Price, and % Change.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

Table of Building, Timber, Roads Stocks with columns for Name, Price, and % Change.

DRAPERY & STORES—Cont.

Table of Drapery & Stores Stocks with columns for Name, Price, and % Change.

ELECTRICALS

Table of Electrical Stocks with columns for Name, Price, and % Change.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics Stocks with columns for Name, Price, and % Change.

DRAPERY AND STORES

Table of Drapery and Stores Stocks with columns for Name, Price, and % Change.

INDUSTRIALS—Continued

Table of Industrial Stocks with columns for Name, Price, and % Change.

HOTELS AND CATERERS

Table of Hotels and Caterers Stocks with columns for Name, Price, and % Change.

ENGINEERING

Table of Engineering Stocks with columns for Name, Price, and % Change.

INDUSTRIALS (Miscellaneous)

Table of Miscellaneous Industrial Stocks with columns for Name, Price, and % Change.

INDUSTRIALS-Continued

Table of industrial stocks including companies like Shell, BP, and various international firms with columns for stock price, dividends, and other financial metrics.

LEISURE-Continued

Table of leisure and consumer goods stocks including companies like Unilever, Nestle, and various international firms.

PROPERTY-Continued

Table of real estate and property-related stocks including companies like British Land, Guinness, and various international firms.

INVESTMENT TRUSTS-Cont.

Table of investment trusts including various funds and their performance metrics.

FINANCE, LAND-Cont.

Table of financial and land-related stocks including companies like Citicorp, American Express, and various international firms.

MINES-Continued

Table of mining stocks including companies like Anglo American, De Beers, and various international firms.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like Boeing, Airbus, and various international firms.

COMMERCIAL VEHICLES

Table of commercial vehicle stocks including companies like Daimler-Benz, Iveco, and various international firms.

COMPONENTS

Table of component stocks including various parts and assembly companies.

SHIPPING

Table of shipping stocks including companies like P&O, Cunard, and various international firms.

SHOES AND LEATHER

Table of shoe and leather goods stocks including companies like Burberry, Prada, and various international firms.

SOUTH AFRICAN

Table of South African stocks including various local and international companies.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like Newsprint, Printers, and various international firms.

TEXTILES

Table of textile stocks including companies like H&M, Inditex, and various international firms.

TOBACCO

Table of tobacco stocks including companies like British American Tobacco, Philip Morris, and various international firms.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks including various funds and companies.

PLANTATIONS

Table of plantation stocks including companies like United Plantations, and various international firms.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Jardines, and various international firms.

INSURANCE

Table of insurance stocks including companies like Allianz, Axa, and various international firms.

PROPERTY

Table of property-related stocks including various real estate and construction companies.

LEISURE

Table of leisure and consumer goods stocks including various retail and service companies.

FINANCE, LAND, etc

Table of finance, land, and other stocks including various financial and real estate companies.

MINES

Table of mining stocks including various mineral and metal companies.

Central Africa

Table of Central African stocks including various regional companies.

NOTES

Notes section containing various financial notices, company announcements, and market commentary.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including various companies from different geographical areas.

LONDON STOCK EXCHANGE

MARKET REPORT

Dismal money statistics and Wall St fall shake market confidence

Account Dealing Dates
Option
*First Declara- Last Account Dealing Date
June 2 June 12 June 13 June 23

The twin shocks of Wall Street's plunge overnight and another dismal set of UK money statistics were too much for London stock markets yesterday.

ment bank helped Schroders feature the banking sector with a rise of 63 to 750p. Elsewhere in merchant banks, Hambros relinquished a few pence at 230p and Hill Samuel lost 5 to 365p.

Insurances closed lower throughout. Composites came on offer and sustained double-figure falls.

At mid-session the FT indices had more than halved steep early losses of over 30 points and the equity sectors were marking time awaiting the announcement at 2.30 pm of the May banking statistics.

Depressing money figures which included a rise of 3 per cent in sterling M3 compared with forecasts of only 1 per cent, set a new fall in motion.

Comment on the group's acquisition of a 50 per cent stake in Wertheim, the US investment bank, helped Schroders feature the banking sector with a rise of 63 to 750p.

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FINANCIAL TIMES STOCK INDICES
Table with columns for Date, Index Name, and Value. Includes Government Secs, Financials, Ordinary, Gold Mines, Div. Yield, Earnings Ytd, P/E Ratio, Total Returns, and Shares Traded.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

Brick shed 7 to 303p on disappointment with the interim results, but renewed speculative buying lifted Federated Housing 12 to 152p.

Woolworth steady
Woolworth held the overnight level of 325p following the expected announcement that the welcome bid from Dixons is not to be referred to the Monopolies Commission.

Wedge above worst
News that the London International bid had been referred to the Monopolies and Mergers Commission prompted a sharp reaction in Wedgewood which dipped to 300p before staging a strong rally to 328p following the subsequent announcement of preliminary takeover support.

Cable and Wireless, up 5 at 665p, resisted the trend; the preliminary figures are due to be announced on June 25.

Leading Engineers passed another quiet trading session with quotations following the general trend and settling with a 100 which closed 10 down at 915p, after 9:12p.

Leading Properties proved resilient until the announcement of the disappointing number of contracts completed at 12,653, comprising 6,946 calls and 5,707 puts, was above Monday's measure sum of 12,607 which was the lowest this year.

Reflected the annual results and proposed share sub-division with a rise of 51 at 805p. British Aerospace, reflecting worries about the Saudi Arabian contract, closed 15 cheaper at 510p.

Gold shares made good progress in dollar terms but sterling prices were little changed over the day as the pound improved strongly against the US currency.

South African Financials managed to record modest gains with AngloGold finally to the good at 440p. Gold Fields of South Africa rose up at 226p and Anglo American Corporation 7 to 203p.

Estates gained the same amount to 66p ahead of preliminary figures due shortly.
Recent strong buying of Atkins Bros proved fully justified yesterday when the group announced bumper preliminary results which left the shares a further 20 higher at a new peak of 13 to 373p among Tobaccos.

Oils lose ground
Renewed weakness in oil prices, the steep decline on Wall Street and nervousness over the forthcoming Opec meeting to be held on June 25 in Brioni prompted widespread falls in leading oils. BP fell to 568p before steadying and closing a net 10 off at 570p, while Shell ended the day a similar amount off at 787p. Esso gave 7 to 171p and LASMO 5 to 112p.

Nevertheless, there were numerous firm features in the stock, especially Vasil Reefs which rallied 11 to 528p. Buffels rose 1 to 121p and South and Western Deep rose 1 to 116p and 116p respectively.

Reflecting the strong profits recovery, Western Motor touched 150p before closing at 145p on balance at 100p. Elsewhere in Motors, Lookers moved up 8 to 130p on speculative support, but Apollo's shares were 7 to 145p as they faded. Calfatts, at 246p, lost 8 of the previous day's gain of 20p on profit-taking ahead of tomorrow's annual results.

Chit and Co advanced 12 to 430p, after 440p, on news of the Debenhams contract, which the company is to display at 365p and 117p respectively.

Leading Properties proved resilient until the announcement of the disappointing number of contracts completed at 12,653, comprising 6,946 calls and 5,707 puts, was above Monday's measure sum of 12,607 which was the lowest this year.

EUROPEAN OPTIONS EXCHANGE
Table with columns for Series, Vol, Last, and other market data. Includes Gold, Silver, and various European stock options.

TRADITIONAL OPTIONS
Table with columns for Stock, Last, and other market data. Lists various traditional options and their prices.

MONDAY'S ACTIVE STOCKS
Table with columns for Stock, No. of Shares, and other market data. Lists active stocks from Monday's trading.

YESTERDAY'S ACTIVE STOCKS
Table with columns for Stock, No. of Shares, and other market data. Lists active stocks from the previous day.

RISES AND FALLS YESTERDAY
Table with columns for Stock, Rise, and other market data. Lists stocks that rose or fell significantly.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Equity Groups & Sub-sections, Tuesday June 10 1986, and various financial metrics. Lists groups like Capital Goods, Building Materials, etc.

Table with columns for Average Gross Redemption Yields, This Jun, and other financial metrics. Lists yields for various instruments.

Opening Index 1594.5; 10 am 1595.4; 11 am 1594.8; 12 noon 1595.4; 1 pm 1595.5; 2 pm 1595.5; 3 pm 1597.0; 4 pm 1597.2

NEW HIGHS AND LOWS FOR 1986

Table listing New Highs and Lows for 1986, including companies like British Petroleum, Anglo American, etc.

BASE LENDING RATES

Table listing Base Lending Rates for various banks and financial institutions.

LONDON TRADED OPTIONS

Large table listing London Traded Options, including Calls and Puts for various stocks and indices.

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WORLD STOCK MARKETS

AUSTRIA market data table with columns for stock names, prices, and changes.

GERMANY market data table with columns for stock names, prices, and changes.

NORWAY market data table with columns for stock names, prices, and changes.

SPAIN market data table with columns for stock names, prices, and changes.

NETHERLANDS market data table with columns for stock names, prices, and changes.

FRANCE market data table with columns for stock names, prices, and changes.

SWITZERLAND market data table with columns for stock names, prices, and changes.

FINLAND market data table with columns for stock names, prices, and changes.

IRELAND market data table with columns for stock names, prices, and changes.

AUSTRALIA (continued) market data table with columns for stock names, prices, and changes.

HONG KONG market data table with columns for stock names, prices, and changes.

INDIA market data table with columns for stock names, prices, and changes.

JAPAN (continued) market data table with columns for stock names, prices, and changes.

NEW ZEALAND market data table with columns for stock names, prices, and changes.

CHINA market data table with columns for stock names, prices, and changes.

PHILIPPINES market data table with columns for stock names, prices, and changes.

THAILAND market data table with columns for stock names, prices, and changes.

SINGAPORE market data table with columns for stock names, prices, and changes.

TAIWAN market data table with columns for stock names, prices, and changes.

SOUTH AFRICA market data table with columns for stock names, prices, and changes.

INDONESIA market data table with columns for stock names, prices, and changes.

NEW ZEALAND (continued) market data table with columns for stock names, prices, and changes.

INDONESIA (continued) market data table with columns for stock names, prices, and changes.

INDONESIA (continued) market data table with columns for stock names, prices, and changes.

CANADA market data table with columns for stock names, prices, and changes.

CANADA (continued) market data table with columns for stock names, prices, and changes.

CANADA (continued) market data table with columns for stock names, prices, and changes.

INDICES

NEW YORK STOCK MARKET INDICES table showing various indices and their values.

LONDON STOCK MARKET INDICES table showing various indices and their values.

WORLD STOCK MARKET INDICES table showing global indices and their values.

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LONDON Chief price changes table listing various stocks and their price movements.

PLM blames Danish trade for earnings fall article discussing the company's financial performance.

NYSE-Consolidated 1580 Actives table listing active stocks on the New York Stock Exchange.

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Advertisement for The Financial Times in Oslo & Stavanger, featuring a map and subscription details.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 10

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for '12 Month High', 'Low', and 'Open' for various stocks.

Continued on Page 41

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NYSE COMPOSITE PRICES

Main table of NYSE Composite Prices, organized into columns for various stock categories and their respective prices and changes.

AMEX COMPOSITE PRICES

Main table of AMEX Composite Prices, organized into columns for various stock categories and their respective prices and changes.

OVER-THE-COUNTER Nasdaq national market, 2:30pm prices

Main table of Over-the-Counter prices, organized into columns for various stock categories and their respective prices and changes.

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